Morgan Stanley & Co. LLC is acting as lead underwriter in connection with the proposed offering.

The value of the Fund’s net assets will generally be considered by market participants in determining whether to purchase or sell shares, whether the Fund will achieve its investment objective or that the Fund’s investment strategies will be successful. There can also be no assurance the Fund will make distributions or continue to pay regular distributions or that it will do so at a particular rate.

The Fund has applied to list the Common Shares on the New York Stock Exchange under the ticker symbol “FTHY.” Shares of closed-end investment companies like the Fund frequently trade at a discount from their Net Asset Value (“NAV”). This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Common Shares in a relatively short period following completion of this offering. Although the value of the Fund’s net assets will generally be considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of the Common Shares during the life of the Fund will depend entirely upon whether the market price of the Common Shares at the time of sale is above or below the investor’s purchase price for the Common Shares.

The First Trust High Yield Opportunities 2027 Term Fund (the “Fund”) is a newly organized, diversified, closed-end management investment company, with no history of operations, that seeks to provide current income. A closed-end fund is a type of investment company whose shares are typically listed on a major stock exchange (e.g., New York Stock Exchange). The assets in a closed-end fund are professionally managed according to the fund’s investment objective.

Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its Managed Assets in high yield debt securities of any maturity that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. High yield debt securities include U.S. and non-U.S. corporate debt obligations and senior, secured floating rate loans (“Senior Loans”). Securities rated below investment grade are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal.

There is no assurance the Fund will achieve its investment objective or that the Fund’s investment strategies will be successful. There can also be no assurance the Fund will make distributions or continue to pay regular distributions or that it will do so at a particular rate.

This document must be accompanied by the preliminary prospectus for the Fund. The information in this document and the preliminary prospectus is not complete and may be changed. A registration statement relating to these securities has been filed with the Securities and Exchange Commission, but has not yet become effective. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This document and the preliminary prospectus are not offers to sell these securities and are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

You should carefully consider the Fund’s investment objective, risks, charges and expenses before investing, including the risk that you may lose some or all of your initial investment. Contact First Trust Portfolios L.P. at 1-800-621-1675, or visit www.ftportfolios.com, to request additional copies of the preliminary prospectus, which contains this and other information about the Fund. The preliminary prospectus should be read carefully before investing. Please consult your financial advisor before you invest or send money. Once the Fund’s registration statement becomes effective, you should carefully read the Fund’s final prospectus, which contains the information described above. Capitalized terms not defined in this brochure have the meanings ascribed to them in the preliminary prospectus.

1The Fund has applied to list the Common Shares on the New York Stock Exchange under the ticker symbol “FTHY.” Shares of closed-end investment companies like the Fund frequently trade at a discount from their Net Asset Value (“NAV”). This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Common Shares in a relatively short period following completion of this offering. Although the value of the Fund’s net assets will generally be considered by market participants in determining whether to purchase or sell shares, whether investors will realize gains or losses upon the sale of the Common Shares during the life of the Fund will depend entirely upon whether the market price of the Common Shares at the time of sale is above or below the investor’s purchase price for the Common Shares.

2Invest-up period is the period in which the net proceeds of the offering of Common Shares are being invested. Morgan Stanley & Co. LLC is acting as lead underwriter in connection with the proposed offering.
Why High Yield Securities?

High-Yield Bond Performance

Market volatility has increased in the wake of the COVID-19 pandemic. In turbulent markets, volatility can be unnerving but can also create opportunities for astute investors. We believe one of those opportunities is within the high-yield bond market.

The chart to the right shows the 10-year minimum and maximum option-adjusted spread (“OAS” or “spread”) of high-yield bonds. The OAS measures the percentage difference in current yields (spread) of the ICE BofA U.S. High Yield Constrained Index versus comparable maturity U.S. Treasury bonds. A bond spread is often expressed as a difference in percentage points or basis points (“bps”). In general, the higher the spread, the greater the compensation for a given level of risk. As of May 31, 2020, the OAS of high-yield bonds was at 655 bps according to ICE data.

High yield securities have historically produced above-average returns when the 10-year OAS climbs above 650 bps. As referenced in the charts below, once spreads have crossed that threshold, the average return for high-yield bonds over the succeeding 12 months was 14.6% (median 14.8%) and over the succeeding 24 months was 13.8% annualized (median 12.3%).

Source for chart data: Bloomberg. Data from 12/31/96 through 5/31/20. Returns are based on the ICE BofA High Yield Constrained Index. For illustrative purposes only. There can be no assurance that the OAS will not narrow in the future or that high yield securities will not lose value even if the OAS widens. Past performance is no guarantee of future results.

Attractive Valuations

We believe the recent decline in high-yield bond prices presents a buying opportunity as high-yield bonds are attractively valued relative to historical averages. High-yield bond prices have fallen due to the increased risks to the overall economy from the COVID-19 pandemic and, in our opinion, we believe an active manager may be well equipped to navigate this environment.

High-Yield Bond Average Prices

December 31, 1997 – May 31, 2020

Source: Bloomberg. There can be no assurance that high yield bonds will not decrease further in value as a result of the COVID-19 pandemic or other market events. See asset class definitions on page 3 of this brochure.

1 Basis points (“bps”) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

2 Standard Deviation (Std Dev) is a measure of price variability (risk) or the average amount by which individual data points differ from the mean.

All of the indices shown within this brochure are unmanaged, statistical composites that cannot be purchased directly by investors. The historical performance of the indices shown is for illustrative purposes only and not intended to imply or guarantee the future performance of the Fund. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. For illustrative purposes only. Past performance is no guarantee of future results.
High Yield Securities Default Rates

First Trust Advisors L.P. believes there is strong potential for a meaningful increase in the default rate for the overall high-yield securities market. As the portfolio managers evaluate new investment opportunities in this environment, their decisions will be rooted in a rigorous bottom-up credit analysis process and a focus centered on identifying the opportunities that they believe offer the best risk and reward balance.

**Senior Loan and High-Yield Bond Default Rate**

March 31, 1999 – May 31, 2020

Sources: Standard & Poor's Leveraged Commentary & Data (“LCD”) and JP Morgan high-yield research. All data as of 5/31/20. For illustrative purposes only. Past performance is no guarantee of future results. In the above chart, high-yield bonds are represented by J.P. Morgan’s high-yield bond universe which covers the investable universe of the U.S. high yield corporate debt market. For senior loan index information, see asset class definitions at the bottom of this page. Default rates are based on the last twelve months (“LTM”). Over different time periods, default rates may be different than those shown and there can be no assurance that First Trust’s belief that default rates will rise will come to pass.

**Fixed-Income Asset Class Returns (%)**

December 31, 2000 - May 31, 2020

As you can see in the chart below, fixed-income sectors can perform quite differently from year-to-year. High yield securities, such as high yield bonds and senior loans, tend to have strong performance in the years immediately following a bad year of performance in the asset class. We believe high yield securities, including senior loans, have the potential to provide strong returns during the term of the Fund, potentially exceeding the respective long-term average for those sectors.

The asset classes shown here offer different characteristics in terms of income, tax treatment, capital appreciation and risk. High-yield securities, or “junk” bonds, are subject to greater market fluctuations and risk of loss than securities with higher ratings, and therefore, may be highly speculative. Fixed rate investment grade bonds are subject to fluctuations due to higher interest rates, economic recession, deterioration of the bond market or investors’ perception thereof, possible downgrades and defaults of interest and/or principal.


See Index Descriptions on the back page of this brochure.
Why High Yield Securities?

Low Correlation

Correlation is a statistical measure that provides a way to evaluate the potential diversification benefits of combining different assets. Simply put, correlation measures the similarity of performance of two securities or asset classes. Correlation is measured on a scale ranging between -1 and +1. A correlation of +1 means that the two investments have moved in perfect tandem with each other. Alternatively, perfect negative correlation of -1 means that when one security moves in one direction, the other security will move in the opposite direction.

The historical correlation, for the past 10 years, between high yield bonds and senior loans to other asset classes, specifically interest-rate sensitive fixed-income, is low. Because high-yield bonds and senior loans are not highly correlated with other asset classes, they can potentially decrease portfolio volatility, enhance overall return and provide meaningful diversification to an asset allocation strategy. It is important to note that diversification does not guarantee a profit or protect against loss.

Asset Class Correlation
May 31, 2010 – May 31, 2020

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<td>14.13</td>
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Source: Morningstar. All data as of 5/31/20. Volatility is based on standard deviation which is a measure of price variability (risk). For illustrative purposes only. Past performance is no guarantee of future results. Over different time periods, different asset classes, including high yield bonds and senior loans, will have different correlations and volatility. See Index Definitions on the back page of this brochure.

Yield vs. Duration for Fixed-Income Asset Classes

First Trust Advisors L.P. believes that there is potential for interest rates to move higher at some point during the life of the Fund, which makes high-yield securities attractive because they provide investors with the potential for current income with less interest-rate sensitivity than longer duration securities. As you can see in the chart below, high yield bonds and senior loans currently have comparably lower duration than certain other fixed income classes. Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations. Duration is the sensitivity, expressed in years, of the price of a fixed income security to changes in the general level of interest rates (or yields).

Sources: Bloomberg Barclays, S&P LCD. All data as of 5/31/20.
Yield to Maturity ("YTM") is the percentage rate of return on a bond until the bond matures.
1Municipal Bonds YTM represents the tax-equivalent yield for the highest tax bracket of 37%. Taxable-equivalent yields represent the amount of pre-tax return an investor would need to earn in a taxable investment in order to equal that of a tax-exempt investment. This example is for illustrative purposes only and should not be considered indicative of the yields of the bonds which may be included in the portfolio. Note that the Federal tax rates do not reflect any (i) federal limitations on the amount of allowable itemized deductions or any phase-out of exemptions or credits, (ii) alternative minimum taxes or any other taxes other than personal income taxes, or (iii) state or local taxes.

Past performance is no guarantee of future results. There can be no assurance that the yields and duration of high yield bonds and senior loans will not change over time. See Index Definitions on the back page of this brochure.
The Importance of Active Management

The investment philosophy for First Trust Advisors L.P.'s Leveraged Finance Investment Team (the "Team") is based on the belief that deep fundamental credit analysis performed by a highly experienced credit team, within a risk managed framework, will generate higher absolute and risk-adjusted returns in high yield debt strategies. The Team's core framework is designed around capturing yield and seeking to avoid loss. Fundamental credit analysis involves the evaluation of macro-economy, industry trends, consistency of cash flows, collateral coverage and management quality, among other things. Through this analysis, the Team can position the Fund's portfolio in high yield debt securities that the Advisor believes provide the most attractive opportunities in the market.

Investment Process

The investment process is a balanced combination of rigorous bottom-up fundamental credit analysis and disciplined portfolio construction. Risk management is a critical component of the entire process and is embedded in both the fundamental credit analysis and portfolio construction. The Team believes rigorous, repeatable and disciplined fundamental credit analysis consists of assessing the following:

Consistency of cash flow generation
The investment process favors companies that produce relatively stable cash flows through an economic cycle. The Team believes highly cyclical companies or capital-intensive industries face a high hurdle. A company's cash flow is stressed to determine how resilient the company would be in a downside case.

Collateral and enterprise value assessment
The investment process evaluates the collateral and enterprise value backing each investment. Importantly, the enterprise value and collateral value are assessed not only in a benign credit environment when valuations are highest, but assuming the collateral will be monetized in a recessionary or dislocated environment when valuations are typically at their lowest. The investment process favors companies that have strong collateral value that can provide support to debt valuations.

Management quality
The investment process favors companies that have management teams with a sound track record of managing businesses with leveraged balance sheets and a commitment to deleveraging. Strong management teams are typically able to navigate more challenging business conditions or economic environments in a nimble fashion.

Key elements of our disciplined portfolio construction methodology include:

Relative value assessment
Each approved investment opportunity is evaluated relative to other opportunities available in the market. This relative value assessment helps ensure the portfolio is positioned in the credits that offer the best return relative to risk. The Team's internal ratings system assists in the relative value assessment by standardizing the risk level of credits across issuers and industries. Every credit holding is assigned a relative value rating, from 1-6, with 1 the most attractive and 6 the least attractive.

Portfolio diversification
Diversification is a key component of the portfolio construction process and an important factor in risk management. The investment process seeks to have a properly diversified portfolio across individual issuers and industries. Concentrated issuer or industry positions typically lead to outsized risk, and therefore the investment team seeks to construct well diversified portfolios.

Issuer liquidity
The potential liquidity of each investment opportunity is analyzed prior to purchase. While the Fund's structure provides a relatively stable pool of capital, liquidity is still an important consideration. Understanding the ability to build position sizes or reduced exposure to investments over the course of the Fund's life is an important consideration.
The First Trust Leveraged Finance Investment Team

- $3.7 billion in assets under management or supervision as of April 30, 2020.
- Experienced investment professionals specializing in below investment-grade securities.
- The investment team selects and manages senior loans and high-yield bonds across various products, including closed-end funds, an open-end mutual fund, exchange-traded funds, several series of unit investment trusts and an institutional separate managed account.

William Housey, CFA | Managing Director of Fixed Income, Senior Portfolio Manager

Mr. Housey joined First Trust Advisors L.P. in June 2010 as the Senior Portfolio Manager for the Leveraged Finance Investment Team and has 24 years of investment industry experience. Mr. Housey is a Managing Director of Fixed Income and is also a member of the First Trust Strategic Model Investment Committee and the Fixed Income Sub-Committee. Prior to joining First Trust, Mr. Housey was at Morgan Stanley Investment Management and its wholly owned subsidiary, Van Kampen Funds, Inc., for 11 years where he last served as Executive Director and Co-Portfolio Manager. Mr. Housey has extensive experience in the portfolio management of both leveraged and unleveraged credit products, including senior loans, high yield bonds, credit derivatives and corporate restructurings. Mr. Housey received a B.S. in Finance from Eastern Illinois University and an M.B.A. in Finance as well as Management and Strategy from Northwestern University’s Kellogg School of Business. He also holds the FINRA Series 7, Series 52 and Series 63 licenses. Mr. Housey also holds the Chartered Market Technician designation. He is a member of the CFA Institute and the CFA Society of Chicago. Mr. Housey also serves on the Village of Glen Ellyn, IL Police Pension Board.

Orlando Purpura, CFA, CMT | Senior Vice President, Chief Credit Officer, Portfolio Manager

Mr. Purpura joined First Trust Advisors L.P. in May 2013 as Chief Credit Officer and Portfolio Manager for the Leveraged Finance Investment Team and has 30 years of investment industry experience. Mr. Purpura is also a member of the First Trust Strategic Model Fixed Income Sub-Committee. Prior to joining First Trust, Mr. Purpura was at Allstate Investments LLC where he served as Portfolio Manager in the Equity Special Situations Group that invested in the public equity of companies in various stages of distress. Additionally, he was a Portfolio Manager in the Private Placement Group where he completed corporate restructurings and workouts for troubled credits held in the investment portfolio. Prior to Allstate Investments, Mr. Purpura was a founding partner at Tall Tree Investment Management LLC, an institutional money manager that focuses on Senior Secured Bank Loans in structured finance vehicles. Before moving to Tall Tree, Mr. Purpura was a Senior Distressed Debt Analyst and Workout specialist at Van Kampen Investments where he specialized in leading the credit oversight and trading strategy for workouts and restructurings across various industries. In the early 1990s, Mr. Purpura began his credit career at Sanwa Business Credit Corporation that specialized in below investment grade non-traditional lending and leasing. Mr. Purpura received a B.S. in Finance from Elmhurst College and an M.B.A. in Finance from DePaul University. Mr. Purpura holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago. He also holds the Chartered Market Technician designation and is a member of the Market Technicians Association, Chicago Chapter.

Jeffrey Scott, CFA | Senior Vice President, Deputy Credit Officer, Portfolio Manager

Mr. Scott is Deputy Credit Officer and Portfolio Manager for the Leveraged Finance Investment Team at First Trust Advisors L.P. He has 30 years of experience in the investment management industry and has extensive experience in credit analysis, product development, and product management. Prior to joining First Trust, Mr. Scott served as an Assistant Portfolio Manager and as a Senior Credit Analyst for Morgan Stanley/Van Kampen from October 2008 to June 2010. As Assistant Portfolio Manager, Mr. Scott served on a team that managed over $4.0 billion of Senior Loan assets in three separate funds: Van Kampen Senior Loan Fund; Van Kampen Senior Income Trust; and Van Kampen Dynamic Credit Opportunities Fund. His responsibilities included assisting with portfolio construction, buy and sell decision making, and monitoring fund liquidity and leverage. Mr. Scott earned a B.S. in Finance and Economics from Emhusrt College and an M.B.A. with specialization in Analytical Finance and Econometrics and Statistics from the University of Chicago. He also holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

Portfolio Management

- William Housey, CFA
  - Senior Portfolio Manager
  - 24 years experience

- Orlando Purpura, CFA, CMT
  - Portfolio Manager
  - 30 years experience

- Jeffrey Scott, CFA
  - Portfolio Manager
  - 30 years experience

Client Portfolio Manager

- Howard Tiffen
  - 40+ years experience

Credit Analytics

- Orlando Purpura, CFA, CMT
  - Chief Credit Officer
  - 30 years experience, Energy, Tech

- Gregory Olsen, CFA
  - Credit Analyst
  - 27 years experience, Gaming, Food/Beverage, Leisure, Retail

- Brian Kessler, CFA, CMT
  - Credit Analyst
  - 15 years experience, Generalist

- Corey Starkey
  - Associate Analyst
  - 3 years experience, Generalist

- Jeffrey Scott, CFA
  - Deputy Credit Officer
  - 30 years experience, Healthcare

- Peter Fasone, CFA, CPA
  - Credit Analyst
  - 34 years experience, Telecom, Cable, Paper/Pack, Chemicals, Finance

- Sebastian Dassouli
  - Credit Analyst
  - 12 years experience, Tech, Generalist

- Daniel Nagode
  - Associate Analyst
  - 3 years experience, Generalist

- William Housey, CFA
  - 24 years experience, Utilities, Airlines

- Scott Fries, CFA
  - Credit Analyst
  - 26 years experience, Auto, Publishing, Real Estate, Insurance

- Jeffrey Johnson, CFA
  - Associate Analyst
  - 6 years experience, Generalist

Operations

- Ryan Krommers
  - Director of Operations
  - 23 years experience

- Daniel Waldron, Jr.
  - Operations Associate
  - 3 years experience

Trading

- Andy Ryback, CFA
  - Head Trader
  - 20 years experience

- Jeffrey Johnson, CFA
  - Trader
  - 6 years experience
**Fund Facts**

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<tr>
<th>Fund Name</th>
<th>First Trust High Yield Opportunities 2027 Term Fund</th>
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<tr>
<td>Fund Structure</td>
<td>Newly organized, diversified, closed-end management investment company</td>
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<tr>
<td>Fund Objective</td>
<td>The Fund's investment objective is to provide current income. There can be no assurance that the Fund will achieve its investment objective or that the Fund's investment strategies will be successful.</td>
</tr>
<tr>
<td>Fund Investment Strategy</td>
<td>Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its Managed Assets in high yield debt securities of any maturity that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. High yield debt securities include U.S. and non-U.S. corporate debt obligations and senior, secured floating rate loans. Securities rated below investment grade are commonly referred to as &quot;junk&quot; or &quot;high yield&quot; securities and are considered speculative with respect to the issuer's capacity to pay interest and repay principal. See &quot;The Fund's Investments&quot; in the preliminary prospectus. The Fund's investments also may include defaulted or distressed securities-t.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings.</td>
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<tr>
<td>Potential Benefits</td>
<td>Closed-End Fund offering with a defined 7-year term</td>
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<tr>
<td>Distribution</td>
<td>Monthly distributions are likely to decline during the time the Fund approaches its Termination Date.</td>
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<tr>
<td>Investment Advisor</td>
<td>First Trust Advisors L.P., a registered investment advisor</td>
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<td>Leverage</td>
<td>The Fund currently intends to use leverage to seek to achieve its investment objective. The Fund initially anticipates that, under normal market conditions, it will employ leverage through borrowings from banks or other financial institutions in an amount equal to approximately 30% of the Fund's Managed Assets. The Fund does not currently anticipate it will issue Preferred Shares within 12 months of the date of the offering. The Fund also may enter into derivative and other transactions that have the effect of leverage (which, together with the Fund's senior securities (as defined under the 1940 Act), are referred to herein as &quot;effective leverage&quot;). Under normal market conditions, the Fund will seek to limit its overall effective leverage to 40% of its Managed Assets. See &quot;Use of Leverage&quot; and &quot;Risks—Principal Risks—Leverage Risk&quot; in the preliminary prospectus.</td>
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<td>Distributions</td>
<td>The Fund intends to make dividend distributions on a monthly basis. In addition, the Fund intends to distribute any net long-term capital gains to shareholders at least annually. Additionally, there can be no assurance the Fund will make distributions or continue to pay regular distributions or that it will do so at a particular rate. The Fund intends to liquidate and distribute substantially all of its net assets to shareholders on or about August 1, 2027 (the &quot;Termination Date&quot;).</td>
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<tr>
<td>Termination</td>
<td>The Fund intends, on or about the Termination Date, to cease its investment operations, liquidate its portfolio (to the extent possible), retire or redeem its leverage facilities, and distribute all its liquidated net assets to Common Shareholders of record. However, if the Board of Trustees determines it is in the best interest of the shareholders to do so, upon provision of at least 60 days' prior written notice to shareholders, the Fund's term may be extended, and the Termination Date deferred, for one period of up to six months by a vote of the Board of Trustees. In determining whether to extend the Fund's term beyond the Termination Date, the Board of Trustees may consider the inability to sell the Fund's assets in a time frame consistent with termination due to lack of market liquidity or other extenuating circumstances. Additionally, the Board of Trustees may determine that market conditions are such that it is reasonable to believe that, with an extension, the Fund's remaining assets will appreciate and generate income in an amount that, in the aggregate, is meaningful relative to the cost and expense of continuing the operation of the Fund. See &quot;Seven-Year Term Risk&quot; on page 10 of this brochure and the preliminary prospectus.</td>
</tr>
</tbody>
</table>

*The Fund will pay an annual management fee in an amount equal to 1.35% of the Fund's Managed Assets (including assets purchased through the use of leverage). "Managed Assets" means the average daily gross asset value of the Fund (which includes assets attributable to the Fund's preferred shares of beneficial interest ("Preferred Shares"), if any, and the principal amount of any borrowings or commercial paper or notes issued by the Fund), minus the sum of the Fund's accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings of money incurred or of commercial paper or notes issued by the Fund). For purposes of determining Managed Assets, the liquidation preference of the Preferred Shares would not be treated as a liability. Assuming the use of leverage in an amount equal to 30% of the Fund's Managed Assets, management fees and total annual expenses are estimated to be 1.93% and 2.76% of the Fund's net assets attributable to Common Shares, respectively. Please refer to the "Summary of Fund Expenses" section of the preliminary prospectus for information on the fees, charges and expenses associated with investing in the Fund. |
Risk Considerations

Risk is inherent in all investing. The following discussion summarizes the principal risks that you should consider before deciding whether to invest in the Fund. For additional information about the risks associated with investing in the Fund, see “—Other Risks Relating to the Fund” below and “Additional Information About the Fund’s Investments and Investment Risks” in the SAI.

No Operating History. The Fund is a newly organized, diversified, closed-end management investment company with no operating history. It is designed for long-term investing and not as a vehicle for trading.

Investment and Market Risk. An investment in the Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Accordingly, an investment in the Fund’s Common Shares is subject to investment risk, including the possible loss of the entire amount that you invest. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Market Discount from Net Asset Value Risk. Shares of closed-end investment companies frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Common Shares in a relatively short period of time following completion of this offering. Because the market price of the Common Shares will be determined by factors such as NAV, dividend and distribution levels and their stability (which will in turn be affected by levels of dividend and interest payments by the Fund’s portfolio holdings, the timing and success of the Fund’s investment strategies, regulations affecting the timing and character of Fund distributions, Fund expenses and other factors), supply of and demand for the Common Shares, trading volume of the Common Shares, general market, interest rate and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether or when the Common Shares will trade at, below or above NAV or at, below or above the initial public offering price.

General Economic and Market Conditions. The success of the Fund’s activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the Fund’s investments.

Unanticipated volatility or illiquidity could impair the Fund’s profitability or result in its suffering losses. Recent Market Circumstances. The Fund (as well as its service providers) may be adversely affected by uncertainties and events around the world, such as epidemics and pandemics, including the spread of infectious illness or other public health issues, natural disasters, terrorism and other conflicts, social unrest, political developments, and changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it invests. The Fund cannot predict the effects or likelihood of such events on the U.S. and world economies, the value of the Common Shares or the NAV of the Fund. The issuers of securities, including those held in the Fund’s portfolio, could be materially impacted by such events which may, in turn, negatively affect the value of such securities or such issuers’ ability to make interest payments or distributions to the Fund.

A recent outbreak of respiratory disease caused by a novel and highly contagious form of coronavirus was first detected in Wuhan City, Hubei Province, China and has as of March 11, 2020, been characterized by the World Health Organization as a pandemic. On March 13, 2020, the President of the United States declared the outbreak a national emergency. The virus, named “SARS-CoV-2” (sometimes referred to as the “corona virus” and abbreviated as “COVID-19”), has adversely impacted global commercial activity and has contributed to significant volatility in certain financial markets. The global impact of the outbreak is rapidly evolving, and many countries, including the United States and various European countries, have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. There are no comparable recent events in the United States that provide guidance as to the effects of the spread of COVID-19 and a potential pandemic on the economy as a whole and, consequently, the Fund. Accordingly, while there have been proposed, and in some cases enacted, economic stimulus measures aimed at curbing the negative economic impacts to the U.S. and other countries as a result of COVID-19, it cannot be determined at this time whether such stimulus measures will have a stabilizing economic effect.

As a result of these recent market circumstances, the markets for credit instruments are currently experiencing deteriorating conditions that could cause periods of extreme illiquidity and volatility. These conditions may exist for a prolonged period of time and could recur from time to time in the future. Such periods may be subject to market uncertainty and consequent repricing risk that could lead to market imbalances of sellers and buyers, which in turn could result in significant valuation uncertainties in a variety of debt securities and also result in sudden and significant valuation declines in the Fund’s holdings. Moreover, such periods could result in widening credit spreads and a lack of price transparency. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Fund’s Common Shares. See “—Liquidity Risk.” Moreover, such periods could result in widening credit spreads and a lack of price transparency. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Fund’s Common Shares.

During periods of extreme illiquidity and volatility in the credit markets, issuers of debt securities may be subject to increased costs associated with incurring debt, tightening underwriting standards and reduced liquidity for the loans they make, the securities they purchase and the securities they issue. The reduced willingness of some lenders to extend credit, in general, may make it more difficult for issuers of debt instruments, including issuers of high yield debt securities and Senior Loans, to finance their operations, may adversely affect the ability of the issuers of securities owned by the Fund to make payments of principal and interest when due, and lead to lower credit ratings and increased defaults. Such developments could, in turn, reduce the value of securities owned by the Fund and adversely affect the Fund’s NAV.

Government Intervention in Financial Markets Risk. The instability in the financial markets in the recent past led the U.S. government and foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that experienced extreme volatility, and in some cases a lack of liquidity, such as implementing stimulus packages, providing liquidity in fixed income, commercial paper and other markets, and providing tax breaks, among other actions. Current market conditions resulting from the COVID-19 crisis have led and may continue to lead to further such actions. See “—Recent Market Circumstances.” U.S. federal and state governments and foreign governments, their regulatory agencies or self-regulatory organizations may take additional actions that affect the regulatory conditions in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable and on an “emergency” basis with little or no notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions will be suddenly and/or substantially eliminated or otherwise negatively impacted. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies. Decisions made by government policy makers could exacerbate any economic difficulties. Issuers might seek protection under the bankruptcy laws. Legislation or regulation may also change the way in which the Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund’s ability to achieve its investment objective.

Credit and Below Investment Grade Securities Risk. Credit risk is the risk that an issuer or counterparty will fail to pay its obligations to the Fund when they are due. If an investment issuer’s or counterparty fails to pay interest or otherwise fails to meet its obligations to the Fund, the Fund’s income might be reduced and the value of the investment might fall or be lost entirely. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Changes in the financial condition of an issuer or counterparty, changes in specific economic, social or political conditions that affect a particular type of instrument or an issuer, and changes in economic, social or political conditions generally can increase the risk of default by an issuer or counterparty, which can affect an instrument’s credit quality or value and an issuer’s or counterparty’s ability to pay interest and principal when due. The values of securities also may decline for a number of other reasons that relate directly to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. Credit risk is heightened to the extent the Fund has fewer counterparties. In addition, lack of or inadequacy of collateral or credit enhancements for a fixed income security may affect its credit risk. Credit risk of a security may change over time, and securities which are rated by rating agencies may be subject to downgrade, which may have an indirect impact on the market price of securities. Ratings are only opinions of the agencies issuing them as to the likelihood of re-payment. They are not guarantees as to quality and they do not reflect market risk.

Below investment grade securities are securities rated below “BBB-” by S&P or Fitch, or below “Ba3” by Moody’s, or comparably rated by another NRSRO or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. High yield securities are often unsecured and subordinated to other creditors of the issuer. The market values for high yield securities tend to be very volatile, and these securities are generally less liquid than investment grade securities. For these reasons, an investment in the Fund is subject to the following specific risks: (i) increased price sensitivity to changing interest rates and to a deteriorating economic environment; (ii) greater risk of loss due to default or declining credit quality; (iii) adverse company specific events more likely to render the issuer unable to make interest and/or principal payments; (iv) negative perception of the high yield market which may depress the price and liquidity of high yield securities; (v) volatility; and (vi) illiquidity.

Default, or the market’s perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of the Common Shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled entity is the fact that it frequently may be difficult to obtain information as to the true financial condition of such issuer. The Advisor’s judgment about the credit quality of an issuer and the relative value of its securities may prove to be wrong. Investments in below investment grade securities may present special tax issues for the Fund to the extent that the issuers of these securities default on their obligations pertaining thereto, and the federal income tax consequences to the Fund as a holder of such distressed securities may not be clear.
Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. If the current economic downturn continues longer than corporate managers anticipate or prepare for, that could similarly affect many issuers. See “—Recent Market Circumstances.”

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund’s ability to dispose of a particular security. There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly, and the spread between bid and ask prices is generally much larger for high yield securities than for higher quality instruments.

Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these securities may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund’s NAV. See “—Liquidity Risk.”

Debt Securities Risk. In addition to certain of the other risks described herein such as interest rate risk and credit risk, debt securities generally are subject to the following risks:

• Redemption Risk—Debt securities sometimes contain provisions that allow for redemption in the event of tax or security law changes in addition to call features at the option of the issuer. In the event of a redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return.

• Extension Risk—This is the risk that if interest rates rise, repayments of principal on certain debt securities, including, but not limited to, floating rate loans, may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result. Securities that are subject to extension risk generally have a greater potential for loss when prevailing interest rates rise, which could cause their values to fall sharply.

• Liquidity Risk—Certain debt securities may be substantially less liquid than many other securities, such as U.S. Government securities or common shares or other equity securities.

• Spread Risk—Wider credit spreads and decreasing market values typically represent a deterioration of the debt security’s credit soundness and a perceived greater likelihood or risk of default by the issuer.

• Limited Voting Rights—Debt securities typically do not provide any voting rights, except in some cases when interest payments have not been made and the issuer is in default. Even in such cases, such rights may be limited to the terms of the debenture or other agreements.

• Prepayment/Reinvestment Risk—Many types of debt securities, including floating rate loans, may reflect an interest in periodic payments made by borrowers. Although debt securities and other obligations typically mature after a specified period of time, borrowers may pay them off sooner. When a prepayment happens, all or a portion of the obligation will be prepaid. A borrower is more likely to prepay an obligation which bears a relatively high rate of interest. This means that in times of declining interest rates, there is a greater likelihood that the Fund’s higher yielding securities will be pre-paid and the Fund will probably be unable to reinvent those proceeds in an investment with as high a yield, causing the Fund’s yield to decline. Securities subject to prepayment risk generally offer less potential for gains when prevailing interest rates fall. If the Fund buys those investments at a premium, accelerated prepayments on those investments could cause the Fund to lose a portion of its principal investment and result in lower yields to shareholders. The increased likelihood of prepayment when interest rates decline also limits market price appreciation, especially with respect to certain loans. The effect of prepayments on the price of a security may be difficult to predict and may increase the security’s price volatility. Interest-only and principal only securities are especially sensitive to interest rate changes which can affect not only their prices but can also change the income flows and repayment assumptions about those investments. Income from the Fund’s portfolio may decline when the Fund invests the proceeds from investment income, sales of portfolio securities or matured, traded or called debt obligations. A decline in income received by the Fund from its investments is likely to have a negative effect on the dividend levels and market price, NAV and/or overall return of the Common Shares.

Corporate Debt Obligations Risk. The market value of corporate debt obligations generally may be expected to rise and fall inversely with interest rates. The market value of intermediate- and long-term corporate debt obligations is generally more sensitive to changes in interest rates than is the market value of shorter term corporate debt obligations. The market value of corporate debt obligations also may be affected by factors directly related to the issuer, such as investors’ perceptions of the creditworthiness of the issuer, the issuer’s financial performance, perceptions of the issuer in the marketplace, performance of management of the issuer, the issuer’s capital structure and use of financial leverage and demand for the issuer’s goods and services. There is a risk that the issuers of corporate debt may not be able to meet their obligations on interest and/or principal payments at the time called for by an instrument.

Corporate debt obligations rated below investment grade quality is often high risk and has speculative characteristics and may be particularly susceptible to adverse issuer-specific developments. See “—Credit and Below Investment Grade Securities Risk.” See also “—Debt Securities Risk.”

Senior Loan Risk. Senior Loans are subject to the risk of payment defaults of scheduled interest or principal. Such payment defaults would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the NAV of the Fund. Similarly, a sudden and significant increase in market interest rates may increase the risk of payment defaults and cause a decline in the value of these investments and in the Fund’s NAV. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of Senior Loans and other debt obligations, impairing the Fund’s NAV. If a borrower under a Senior Loan defaults or goes into bankruptcy, the Fund may recover only a fraction of what is owed on the Senior Loan or nothing at all.

The Fund will invest in Senior Loans rated below investment grade, which are commonly referred to as “junk” or “high yield” securities and considered speculative because of the credit risk of their issuers. Such issuers are more likely than investment grade issuers to default on their payments of interest and principal owed to the Fund, and such defaults could reduce the Fund’s NAV and income distributions. See “—Credit and Below Investment Grade Securities Risk.” During an economic downturn, the Fund may experience a higher non-payment rate, and a Senior Loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan’s value.

Senior Loans are structured as floating rate instruments in which the interest rate payable on the obligation fluctuates with interest rate changes. See “—Other Risks Associated with Loans—Interest Rate and Interest Rate Benchmarks.”

Senior Loans are generally not registered with the SEC or state securities commissions, and are generally not listed on any securities exchange. In addition, the amount of public information available on Senior Loans is generally less extensive than that available for other types of assets. Therefore, the Fund will be particularly dependent on the analytical abilities of the Advisor. See “—Other Risks Associated with Loans—Valuation and Liquidity.”

Although the Senior Loans in which the Fund will invest will be secured by collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal. The Fund’s investments in Senior Loans may be collateralized with one or more of (1) working capital assets, such as accounts receivable and inventory, (2) tangible fixed assets, such as real property, buildings and equipment, (3) intangible assets such as trademarks or patents, or (4) security interests in shares of stock of the borrower or its subsidiaries or affiliates. In the case of loans to a non-public company, the company’s shareholders or owners may provide collateral in the form of secured guarantees and/or security interests in assets they own. In the event of a decline in the value of the already pledged collateral, if the terms of the Senior Loan do not require the borrower to pledge additional collateral, the Fund will be exposed to the risk that the value of the collateral will not at times equal or exceed the amount of the borrower’s obligations under the Senior Loans. Senior Loans that are under-collateralized involve a greater risk of loss. In the event of the bankruptcy or insolvency of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. For example, if a borrower defaults, insolvency laws may limit the Fund’s access to the collateral, or the lenders may be unable to liquidate the collateral. A bankruptcy court might find that the collateral securing the Senior Loan is invalid or require the borrower to use the collateral to pay other outstanding obligations. If the collateral consists of stock of the borrower or its subsidiaries, the stock may lose all of its value in the event of a bankruptcy, which would leave the Fund exposed to greater potential loss. To the extent that a Senior Loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose some or all of its value in the event of the bankruptcy or insolvency of the borrower. If a borrower defaults on a collateralized Senior Loan, the Fund may receive assets other than cash or securities in full or partial satisfaction of the borrower’s obligation under the Senior Loan. Those assets may be illiquid, and the Fund might not be able to realize the benefits of the assets for legal, practical or other reasons. The Fund might hold those assets until the Advisor determined it was appropriate to dispose of them. If the collateral becomes illiquid or loses some or all of its value, the collateral may not be sufficient to protect the Fund in the event of a default of scheduled interest or principal payments. Some Senior Loans are subject to the risk that a court, pursuant to equitable subordination or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, such as the Fund. Such court action could under certain circumstances impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of funding for certain borrowers. This would increase the risk of default. See “—Lender Liability Risk.”

Any new legislation or federal or state regulations that require financial institutions to increase their capital requirements may cause financial institutions to dispose of Senior Loans on their balance sheets that are considered highly leveraged transactions. Such sales could result in prices that, in the opinion of the Advisor, do not represent fair value. If the Fund attempts to sell a Senior Loan at a time when a financial institution is engaging in such a sale, the price the Fund could get for the Senior Loan may be adversely affected.

The Fund may acquire Senior Loans through participations or assignments. The purchaser of a participation typically succeeds to all the rights and obligations of the participating institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser’s rights can be more restricted than those of the participating institution, and the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the borrower. By purchasing a participation, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the Fund may not directly benefit from the collateral supporting the Senior Loan in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, in certain
circumstances the Fund may not be able to conduct the due diligence on the borrower or the quality of the Senior Loan with respect to which it is buying a participation that the Fund would otherwise conduct if it were investing directly in the Senior Loan, which may result in the Fund being exposed to greater credit or fraud risk with respect to the borrower or the Senior Loan than the Fund expected when initially purchasing the participation.

When the Fund is a purchaser of an assignment, it typically succeeds to all the rights and obligations under the loan agreement of the assigning lender and becomes a lender under the loan agreement with the same rights and obligations as the assigning lender. Assignments are arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender.

The Fund may obtain exposure to Senior Loans through the use of derivative instruments. The Fund may utilize these instruments and similar instruments that may be available in the future. Derivative transactions involve the risk of loss due to unanticipated adverse changes in securities prices, interest rates, the inability to close out a position, imperfect correlation between a position and the desired hedge, tax constraints on closing out positions and portfolio management constraints on securities subject to such transactions. The potential loss on derivative instruments may be substantial relative to the initial investment therein. The Fund may also be subject to the risk that the counterparty in a derivative transaction will default on its obligations. See “—Total Return Swaps Risk” and “—Credit Default Swaps Risk.”

**Interest Rate Risk.** Generally, when market interest rates rise, prices of debt securities fall, and vice versa. Interest rate risk is the risk that the debt securities in the Fund’s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of debt securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund’s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund’s value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than prices of shorter-term debt securities as interest rates change. These risks may be greater in the current market environment because, as of the date of this prospectus, certain interest rates are at or near historic lows. Therefore, there is a risk that interest rates will rise, which will likely cause the Fund’s debt security prices to fall. See “—LIBOR Risk.”

**Seven-Year Term Risk.** The Fund intends to terminate on or about the Termination Date. Because the anticipated life of the Fund will be liquidated in connection with the termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. In particular, the Fund’s portfolio may still have significant remaining average maturity and duration, and large exposures to lower-quality credits, as the Termination Date approaches, and if interest rates are high (and the value of lower-quality fixed-income securities consequently low) at the time the Fund needs to liquidate its assets in connection with the termination, the losses due to portfolio liquidation may be significant. Moreover, as the Fund approaches the Termination Date, its portfolio composition may change as more of its portfolio holdings are called or sold, which may cause the returns to decrease and the NAV of the Common Shares to fall. Rather than reinvesting the proceeds of matured, called or sold securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower-yielding securities or hold the proceeds in cash, which may adversely affect its performance.

Because the Fund will invest in below investment grade securities, it may be exposed to the greater potential for an issuer of its securities to default, as compared to a fund that invests solely in investment grade securities. As a result, should a Fund portfolio holding default, this may significantly reduce net asset value and, as a result, the Fund’s ability to pay distributions and, in some circumstances, distribute Capital Shares and, in very limited circumstances, distribute Capital Shares and repurchase its shares. As a result, investors in the Fund in the event of default may experience a loss of principal.

In addition, the Fund’s performance during times of market stress may be adversely affected, and the NAV per share of the Fund may experience significant volatility in those circumstances. The Fund’s interest in a mortgage loan may be secured by a mortgage, which is an investment in real estate and related improvements. The Fund’s investment in real estate may be subject to economic risks related to economic conditions generally, including but not limited to changes in market interest rates, economic growth, inflation, and changes in real estate values, any of which may affect the performance of the Fund’s investments in real estate securities. The risk of decreased property values and decreased demand for real estate may be greater for mortgage loan investments than for other types of investments in real estate. Because of the Fund’s concentration in its type of investment, the Fund’s portfolio may be subject to increased adverse economic or regulatory developments affecting this area.

The Fund’s interest in a mortgage loan may be secured by a mortgage, which is an investment in real estate and related improvements. The Fund’s investment in real estate may be subject to economic risks related to economic conditions generally, including but not limited to changes in market interest rates, economic growth, inflation, and changes in real estate values, any of which may affect the performance of the Fund’s investments in real estate securities. The risk of decreased property values and decreased demand for real estate may be greater for mortgage loan investments than for other types of investments in real estate. Because of the Fund’s concentration in its type of investment, the Fund’s portfolio may be subject to increased adverse economic or regulatory developments affecting this area.

The Fund’s investment in real estate may also be subject to increased adverse economic or regulatory developments affecting this area.

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**Other Risks Associated with Loans.** Investments in loans (including loans other than Senior Loans) are generally subject to the same risks as investments in other types of debt obligations, including, among others, credit risk, interest rate risk, prepayment risk, and extension risk. In addition, in many cases loans are subject to the risks associated with below investment grade securities.

**Interest Rate and Interest Rate Benchmarks.** The interest rates on floating rate loans typically adjust only periodically. Accordingly, adjustments in the interest rate payable under a loan may trail prevailing interest rates significantly, potentially reducing the Fund’s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund’s value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than prices of shorter-term debt securities as interest rates change. These risks may be greater in the current market environment because, as of the date of this prospectus, certain interest rates are at or near historic lows. Therefore, there is a risk that interest rates will rise, which will likely cause the Fund’s debt security prices to fall. See “—LIBOR Risk.”

**Seven-Year Term Risk.** The Fund intends to terminate on or about the Termination Date. Because the anticipated life of the Fund will be liquidated in connection with the termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. In particular, the Fund’s portfolio may still have significant remaining average maturity and duration, and large exposures to lower-quality credits, as the Termination Date approaches, and if interest rates are high (and the value of lower-quality fixed-income securities consequently low) at the time the Fund needs to liquidate its assets in connection with the termination, the losses due to portfolio liquidation may be significant. Moreover, as the Fund approaches the Termination Date, its portfolio composition may change as more of its portfolio holdings are called or sold, which may cause the returns to decrease and the NAV of the Common Shares to fall. Rather than reinvesting the proceeds of matured, called or sold securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower-yielding securities or hold the proceeds in cash, which may adversely affect its performance.

Because the Fund will invest in below investment grade securities, it may be exposed to the greater potential for an issuer of its securities to default, as compared to a fund that invests solely in investment grade securities. As a result, should a Fund portfolio holding default, this may significantly reduce net asset value and, as a result, the Fund’s ability to pay distributions and, in some circumstances, distribute Capital Shares and, in very limited circumstances, distribute Capital Shares and repurchase its shares. As a result, investors in the Fund in the event of default may experience a loss of principal.

In addition, the Fund’s performance during times of market stress may be adversely affected, and the NAV per share of the Fund may experience significant volatility in those circumstances. The Fund’s interest in a mortgage loan may be secured by a mortgage, which is an investment in real estate and related improvements. The Fund’s investment in real estate may be subject to economic risks related to economic conditions generally, including but not limited to changes in market interest rates, economic growth, inflation, and changes in real estate values, any of which may affect the performance of the Fund’s investments in real estate securities. The risk of decreased property values and decreased demand for real estate may be greater for mortgage loan investments than for other types of investments in real estate. Because of the Fund’s concentration in its type of investment, the Fund’s portfolio may be subject to increased adverse economic or regulatory developments affecting this area.

The Fund’s investment in real estate may also be subject to increased adverse economic or regulatory developments affecting this area.

**Other Risks Associated with Loans.** Investments in loans (including loans other than Senior Loans) are generally subject to the same risks as investments in other types of debt obligations, including, among others, credit risk, interest rate risk, prepayment risk, and extension risk. In addition, in many cases loans are subject to the risks associated with below investment grade securities.

**Interest Rate and Interest Rate Benchmarks.** The interest rates on floating rate loans typically adjust only periodically. Accordingly, adjustments in the interest rate payable under a loan may trail prevailing interest rates significantly, potentially reducing the Fund’s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund’s value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than prices of shorter-term debt securities as interest rates change. These risks may be greater in the current market environment because, as of the date of this prospectus, certain interest rates are at or near historic lows. Therefore, there is a risk that interest rates will rise, which will likely cause the Fund’s debt security prices to fall. See “—LIBOR Risk.”
subordinated and unsecured loans, and high yield securities. Equity securities are subject to market risks and the risks of changes to the financial condition of the issuer, and fluctuations in value.

Restrictive Loan Covenants Risk. Borrowers must comply with various restrictive covenants that may be contained in loan agreements. They may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the borrower to maintain specific financial ratios, and limits on total debt. They may also include requirements that the borrower prepay the loan with any free cash flow. A break of a covenant that is not waived by the agent bank (or the lenders) is normally an event of default that provides the agent bank or the lenders the right to call the outstanding amount on the loan. If a lender accelerates the repayment of a loan because of the borrower’s violation of a restrictive covenant under the loan agreement, the borrower might default in payment of the loan.

Some of the loans in which the Fund may invest or to which the Fund may obtain exposure may be “covenant-lite.” Such loans contain fewer or less restrictive constraints on the borrower than certain other types of loans. Such loans generally do not include terms which allow the lender to monitor the performance of the borrower and declare a default or force a borrower into bankruptcy restructuring if certain criteria are breached. Under such loans, lenders typically must rely on covenants that restrict a borrower from incurring additional debt or engaging in certain actions. Such covenants can be breached only by an affirmative action of the borrower, rather than by a deterioration in the borrower’s financial condition. Accordingly, the Fund may have fewer rights against a borrower when it invests in or has exposure to such loans and so may have a greater risk of loss on such investments as compared to investments in or exposure to loans with additional or more conventional covenants.

Settlement Risk. Transactions in many loans settle on a delayed basis, and the Fund may not receive the proceeds from the sale of such loans for a substantial period after the sale. As a result, sale proceeds related to the sale of such loans may not be available to make additional investments until potentially a substantial period after the sale of the loans.

Other Legal Risks. Recent case law has cast doubt on the ability of a purchaser of a loan, such as the Fund, to charge the same rate of interest as an originating entity after the loan has been sold by the originating entity. In 2015, the U.S. Court of Appeals for the Second Circuit issued a significant decision that interpreted the scope of federal preemption under the National Bank Act (the “NBA”) and held that a non-bank assignee of loans sourced by a national bank was not entitled to the benefits of NBA preemption as to state law claims of usury. Although the decision is binding only in Connecticut, New York and Vermont, it may significantly affect non-bank assignees of loans, including, potentially, the Fund. A minimum, non-bank assignees/purchasers of bank loans may face uncertainty regarding their ability to rely upon federal preemption of state usury laws in those states; in addition, a number of market participants, including, potentially, the Fund purchase loans from state-chartered banks promptly after origination and may seek to rely upon federal preemption to exempt the loans from state usury caps. The decision, although directly ruling on purchasers of national bank loans, could be applied by courts considering the scope of federal preemption under the Depository Institutions Deregulation and Monetary Control Act of 1980 (which generally preempts state usury laws in favor of federally insured state-chartered banks) with respect to loans originated by state-chartered banks.

The Second Circuit’s decision appears to be contrary to other federal circuit court decisions and inconsistent with longstanding commercial practice. Although the decision was appealed to the U.S. Supreme Court, the Court declined to consider it, leaving in place the Second Circuit’s ruling. In February 2017, in further action following remand from the Second Circuit, the U.S. District Court ruled that the choice of law provision, which selected Delaware rather than New York law, would not be enforced and that New York law should be applied for determining the applicable usury ceiling. The claims based on usury were also dismissed. The impact of the case is uncertain because the case ultimately settled in September 2019 without further action, and the Supreme Court could ultimately disagree with the ruling in a different case. In addition, the holding could be overturned, distinguished or otherwise limited by the subsequent litigation. The case is one of many similar cases in the Second Circuit. If the decision in this case were applied to lending activity more broadly, it is possible that certain loans made to borrowers in Connecticut, New York and Vermont by originating banks at interest rates in excess of the local usury ceiling could be in jeopardy if assigned to a non-bank assignee if the ruling in this case is applied to them. As a result, if the Fund purchases or holds such loans (directly or indirectly) and litigation is brought to challenge their enforceability on similar grounds as this case, the Fund could suffer significant losses. Moreover, if the ruling in this case is applied in other jurisdictions, the enforceability of loans made through originating banks at interest rates in excess of a local usury ceiling may also be in jeopardy and the Fund could suffer losses if it purchases or holds such loans.

The Colorado Attorney General has filed two actions against online lenders alleging that non-banks were collecting interest and fees in excess of the Colorado usury laws. Motions to dismiss have been filed in the case which are awaiting decision. However, in a recent bankruptcy proceeding in Colorado, a federal judge rejected the holding in the above-referenced Second Circuit case and found that the high interest rate on a promissory note of a bank to a commercial borrower remained valid in the hands of a non-bank assignee. The debtor has appealed the decision to the District Court including theories based on such Second Circuit court decisions. The Federal Deposit Insurance Corporation (the “FDIC”) and the Office of the Comptroller of the Currency (the “OCC”) filed a joint amicus brief in the action challenging the Second Circuit court opinion stating that the court failed to consider the long-standing legal principle that a loan that is valid when made does not become usurious when it is assigned and that not being able to engage in assignments of loans could lead to economic disruptions and negative consequences. The agencies also state that inherent in federal law is the right to assign loans and that failure to enforce contractual terms would significantly interfere with a bank’s powers.

On November 18, 2019, the OCC issued a Notice of Proposed Rulemaking and, on November 19, 2019, the FDIC also issued a Notice of Proposed Rulemaking under their interest rate authority to codify in the Code of Federal Regulations the “valid when made” doctrine affirming that the interest rate on loans is not subject to change when a loan is sold, assigned or otherwise transferred. The public comment period has ended for both proposals. If codified, the regulations would serve as authority contrary to the aforementioned Second Circuit court decision and courts would need to consider deference to those regulations of the federal banking regulators.

In addition, loans and certain other forms of direct indebtedness may not be classified as “securities” under the federal securities laws and, therefore, when the Fund purchases such instruments, it may not be entitled to the protections against fraud and misrepresentation contained in the federal securities laws.

Second Lien Loan Risk. A second lien loan may have a claim on the same collateral pool as the first lien or it may be secured by a separate set of assets. Second lien loans are typically secured by a second priority security interest or lien to or on specified collateral securing the borrower’s obligation under the interest. Because second lien loans are second to first lien loans, they present a greater degree of investment risk. Specifically, these loans are subject to the additional risk that the cash flow of the borrower and property securing the loan may be insufficient to meet scheduled payments after giving effect to those loans with a higher priority. In addition, loans that have a lower than first lien priority on collateral of the borrower generally have greater price volatility than those loans with a higher priority and may be less liquid. However, second lien loans often pay interest at higher rates than first lien loans reflecting such additional risks.

Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale. The priority of the collateral claims of third or lower lien loans ranks below holders of second lien loans and so on. Such junior loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower’s capital structure and possible unsecured or partially secured status, such loans involve a higher degree of overall risk than first lien loans, since cash flow of the borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to higher priority secured obligations of the borrower. Second lien loans also share the same risks of other below investment grade debt instruments. See “—Credit and Below Investment Grade Securities Risk.”

LIBOR Risk. The terms of many investments, financings or other transactions to which the Fund may be a party have been historically tied to the London Interbank Offered Rate, or “LIBOR.” LIBOR is the offered rate at which major international banks can obtain wholesale, unsecured funding, and LIBOR may be available for different durations (e.g., 1 month or 3 months) and for different currencies. LIBOR may be a significant factor in determining the Fund’s payment obligations under a derivative investment, the cost of financing to the Fund or an investment’s value or return to the Fund, and may be used in other ways that affect the Fund’s investment performance. In July 2017, the Financial Conduct Authority, the United Kingdom’s financial regulatory body, announced that after 2021 it will cease its active encouragement of banks to provide the quotations needed to sustain LIBOR. That announcement suggests that LIBOR may cease to be published after that time. Various financial industry groups have begun planning for that transition, but there are obstacles to converting certain securities and transactions to a new benchmark. Transition planning is at an early stage, and neither the effect of the transition process nor its ultimate success can yet be known. The transition process might lead to increased volatility and illiquidity in markets for instruments whose terms currently include LIBOR. It could also lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of new hedges placed existing LIBOR-based investments. While some LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate-setting methodology and/or increased costs for certain LIBOR-related instruments or financing transactions, not all may have such provisions and there may be significant uncertainty regarding the effectiveness of any such alternative methodologies, resulting in prolonged adverse market conditions for the Fund. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. All of the aforementioned may adversely affect the Fund’s performance and NAV.

Lender Liability Risk. A number of U.S. judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of its investments, the Fund may be subject to allegations of lender liability.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in equitable conduct to the detriment of the other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, the other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of the borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because affiliates of one or more lenders related to, or lenders that hold equity or other interests in obligors of the Fund, the Fund could be exposed to claims for equitable subordination or lender liability both or based on such equity or other holdings.

Defaulted and Distressed Securities Risk. The Fund may invest in securities that may be in default or distressed—i.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructuring. Distressed securities present a substantial risk of default which may cause the Fund to incur losses, including additional expenses, to the extent it is required to seek recovery upon a default in the payment of principal or interest on those securities. In any reorganization or liquidation proceeding relating to a portfolio security, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.
The Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment on defaulted or distressed securities. The Fund also will be subject to a significant uncertainty as to when and in what manner and for what value the obligations evidenced by the defaulted or distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the defaulted or distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to defaulted or distressed securities held by the Fund, there can be no assurance that the securities or other assets received by the Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by the Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Fund's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of defaulted or distressed securities, the Fund may be restricted from disposing of such securities.

The Fund may invest in loans of borrowers that are experiencing, or are likely to experience, financial difficulty. These loans are subject to greater credit and liquidity risks than other types of loans. In addition, the Fund can invest in loans of borrowers that have filed for bankruptcy protection or that have had involuntary bankruptcy petitions filed against them by creditors. Various laws enacted for the protection of debtors may apply to loans. A bankruptcy proceeding or other court proceeding could delay or limit the ability of the Fund to collect the principal and interest payments on that borrower's loans or adversely affect the Fund's rights in collateral relating to a loan. If a lawsuit is brought by creditors of a borrower under a loan, a court or a trustee in bankruptcy could take certain actions that would be adverse to the Fund. For example:

- Other creditors might convince the court to set aside a loan or the collateralization of the loan as a "fraudulent conveyance" or "preferential transfer." In that event, the court could recover from the Fund the interest and principal payments that the borrower made before becoming insolvent. There can be no assurance that the Fund would be able to prevent that recapture.
- A bankruptcy court may restructure the payment obligations under the loan so as to reduce the amount to which the Fund would be entitled.
- The court might discharge the amount of the loan that exceeds the value of the collateral.
- The court could subordinate the Fund's rights to the rights of other creditors of the borrower under applicable law, decreasing, potentially significantly, the likelihood of any recovery on the Fund's investment.

Leverage Risk. Any senior securities issued by the Fund will have seniority over the Common Shares and may be secured by the assets of the Fund. The use of leverage by the Fund can magnify the effect of any losses. If the income and gains earned on the securities and investments purchased with leverage proceeds are greater than the cost of the leverage, the Common Shares' return will be greater than if leverage had not been used. Conversely, if the income and gains from the securities and investments purchased with such proceeds do not cover the cost of leverage, the return to the Common Shares will be less than if leverage had not been used. Leverage involves risks and special considerations for Common Shareholders including:

- the likelihood of greater volatility of NAV and market price of the Common Shares than a comparable portfolio without leverage;
- the risk that fluctuations in interest rates on borrowings and other associated costs of leverage will reduce the return to the Common Shareholders or will result in fluctuations in the dividends paid on the Common Shares;
- the effect of leverage in a declining market, which is likely to cause a greater decline in the NAV of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares; and
- when the Fund uses certain types of leverage, the investment advisory fee payable to the Advisor will be higher than if the Fund did not use leverage.

There is no assurance that a leveraging strategy will be successful. The Fund may continue to use leverage if the benefits to the Fund's Common Shareholders of maintaining the leveraged position are believed to outweigh any current reduced return.

The funds borrowed pursuant to a leverage borrowing program (such as a credit line), or obtained through the issuance of Preferred Shares, constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. The rights of lenders to receive payments of interest on and repayments of principal on any borrowings made by the Fund under a leverage borrowing program are senior to the rights of Common Shareholders and the holders of Preferred Shares with respect to the payment of dividends or upon liquidation. The Fund may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, or purchase Common Shares or Preferred Shares, unless at the time thereof the Fund meets certain asset coverage requirements and no event of default exists under any leverage program. In addition, the Fund may not be permitted to pay dividends on Common Shares unless all dividends on the Preferred Shares and/or accrued interest on borrowings have been paid, or set aside for payment. In an event of default under a leverage borrowing program, the lenders may have the right to cause a liquidation of collateral (i.e., sell securities and other assets of the Fund) and, if such default is not cured, the lenders may be able to control the liquidation as well. Certain types of leverage may result in the Fund being subject to covenants relating to asset coverage and Fund composition requirements. Generally, covenants to which the Fund may be subject include affirmative covenants, negative covenants, financial covenants, and investment covenants. See “Use of Leverage.” The Fund also may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the Preferred Shares or other senior securities issued by the Fund. These guidelines may impose asset coverage or Fund composition requirements that are more stringent than those imposed by the 1940 Act.

While the Fund may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and NAV associated with leverage, there can be no assurance that the Fund will actually reduce leverage in the future or that any reduction, if undertaken, will benefit the Common Shareholders. Changes in the future direction of interest rates are very difficult to predict accurately. If the Fund were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to Common Shareholders relative to the circumstance if the Fund had not reduced leverage. The Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and Common Share price if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Non-U.S. Securities Risk. The Fund may invest a portion of its assets in securities of non-U.S. issuers. Investing in securities of non-U.S. issuers, which are generally denominated in non-U.S. currencies, may involve certain risks not typically associated with investing in securities of U.S. issuers. These risks include:

(i) there may be less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices;
(ii) non-U.S. markets may be smaller, less liquid and more volatile than the U.S. market;
(iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments;
(iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession;
(v) the impact of economic, political, social or diplomatic events;
(vi) certain non-U.S. countries may impose restrictions on the ability of non-U.S. issuers to make payments of principal and interest to investors located in the United States due to blockage of non-U.S. currency exchanges or otherwise; and
(vii) withholding and other non-U.S. taxes may decrease the Fund's return.

Foreign companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies. In addition, there may be difficulty in obtaining or enforcing a court judgment abroad. Loans involving foreign borrowers may involve risks not ordinarily associated with exposure to loans to U.S. entities and individuals. The foreign lending industry may be subject to less governmental supervision and regulation than exists in the U.S.; conversely, foreign regulatory regimes applicable to the lending industry may be more complex and more restrictive than those in the U.S., resulting in higher costs associated with such investments, and such regulatory regimes may be subject to interpretation or change without prior notice to investors, such as the Fund. Foreign lending may not be subject to accounting, auditing, and financial reporting standards and practices comparable to those in the U.S. Due to differences in legal systems, there may be difficulty in obtaining or enforcing a court judgment abroad. For example, bankruptcy laws may differ across the jurisdictions in which the Fund may invest and it may be difficult for a servicer to pursue non-U.S. borrowers. In addition, to the extent that investments are made in a limited number of countries, events in those countries will have a more significant impact on the Fund. Loans to foreign entities and individuals may be subject to risks of increased transaction costs, potential delays in settlement or unfavorable differences between the U.S. economy and foreign economies.

Emerging Markets Risk. Investing in emerging market countries, as compared to foreign developed markets, involves substantial additional risk due to more limited information about the issuer and/or the security (including limited financial and accounting information); higher brokerage costs; different accounting, auditing and financial reporting standards; less developed legal systems and thinner trading markets; the possibility of currency blockages or transfer restrictions; an emerging market country's dependence on revenue from particular commodities or international aid; and the risk of expropriation, nationalization or other adverse political or economic developments.

Emerging market countries may lack the social, political and economic stability and characteristics of more developed countries, and their political and economic structures may undergo unpredictable, rapid and significant changes from time to time. Any of which could adversely affect the value of investments in emerging markets as well as the availability of additional investments in such markets. Some of these countries have in the past failed to recognize private property rights and have at times nationalized or expropriated the assets of private companies. The securities markets of emerging market countries may be substantially smaller, less developed, less liquid and more volatile than the major securities markets in the United States and other developed nations, and the Fund may be required to establish special custodial or other arrangements before transacting in securities traded in emerging markets. The limited size of these securities markets and the limited trading volume of securities issued by emerging market issuers could cause prices to be erratic and investments in emerging markets can become illiquid. As a result of the foregoing risks, it may be difficult to assess the value or prospects of an investment in such securities.

In addition, emerging market countries' exchanges and broker-dealers generally may be subject to less regulation than their counterparts in developed countries. Brokerage commissions and dealer mark-ups, custodial expenses and other transaction costs are generally higher in emerging market countries than in developed countries. As a result, funds that invest in emerging market countries may have operating expenses that are higher than funds investing in other securities markets. Emerging market countries also may have different clearance and settlement procedures than in the U.S., including significantly longer settlement cycles for purchases and sales of securities, and in certain markets there may be times when settlements fail to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Further, satisfactory custodial services for investment securities may not be available in some emerging market countries, which may result in the Fund incurring additional costs and delays in transporting and custodying such securities outside such countries. Delays in settlement or other problems could result in periods when the Fund's assets are uninvested and no return is earned thereon. The Fund's inability to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Fund to miss attractive investment opportunities. The inability to dispose of a portfolio security due to settlement problems could result either in losses to
The Fund may hold common stocks and warrants to purchase economic uncertainty.

Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation or deflation for many years, and future inflation may adversely affect the economies and securities markets of such countries. When debt and similar obligations issued by foreign issuers are denominated in a currency (e.g., the U.S. dollar or the Euro) other than the local currency of the issuer, the subsequent strengthening of the non-local currency against the local currency will generally increase the burden of repayment on the issuer and may increase significantly the risk of default by the issuer. Emerging market countries have and may in the future impose capital controls, foreign currency controls and repatriation controls. In addition, some currency hedging techniques may be unavailable in emerging market countries, and the currencies of emerging market countries may experience greater volatility in exchange rates as compared to those of developed countries.

Foreign Currency Risk. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of the Fund's investments. Currency exchange rates fluctuate significantly for many reasons, including changes in supply and demand in the currency exchange markets, actual or perceived changes in interest rates, credit rating changes of the issuer or of the country in which the issuer is located, changes in political risk, and other factors. Increased market volatility in foreign currency exchange rates may also affect the market liquidity

Common Stock and Warrants Risk. The Fund may hold common stocks and warrants to purchase common stocks. Common stocks and warrants have a subordinate claim on an issuer's assets as compared with debt securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock or warrant held by the Fund. In addition, the prices of common stocks and warrants are sensitive to general movements in the stock market, and a drop in the stock market may depress the prices of common stocks and warrants to which the Fund has exposure. Common stock and warrant 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 rising interest rates, as the cost of capital rises and borrowing costs increase. The value of the common stocks and warrants in which the Fund may invest will be affected by changes in the stock markets generally, which may be the result of domestic or international political or economic news, changes in interest rates or changing investor sentiment. At times, stock markets can be volatile and stock prices can change substantially. The prices of common stocks and warrants of smaller companies are more sensitive to these changes than those of larger companies. Common stock and warrant risk will affect the Fund's NAV per share, which will fluctuate as the value of the securities held by the Fund changes.

Liquidity Risk. Liquidity risk is the risk that the Fund may invest in securities that trade in lower volumes and may be less liquid than other investments or that the Fund's investments may become less liquid in response to market developments or adverse investor perceptions. Illiquidity may be the result of, for example, trading volumes, lack of a market maker, or contractual or legal restrictions that limit or prevent the Fund from selling securities or closing positions. When there is no willing buyer and investments cannot be readily sold or closed out, the Fund may have to sell an investment at a lower price than the price at which the Fund is carrying the investments or may not be able to sell the investments at all, each of which would have a negative effect on the Fund's performance and may cause the Fund to hold an investment longer than the Advisor would otherwise determine. It is possible that the Fund may be unable to sell a portfolio investment at a desirable time or at the value the Fund has placed on the investment or that the Fund may be forced to sell large amounts of securities more quickly than it normally would in the ordinary course of business. In such a case, the sale proceeds received by the Fund may be substantially less than the original cost of the securities or substantially lower than the value previously used by the Fund to value the securities for purposes of determining the Fund's NAV. In addition, if the Fund sells investments with extended settlement times (e.g., Senior Loans), the settlement proceeds from the sales will not be available to the Fund for a substantial period of time. The Fund may be forced to sell other investment positions with shorter settlement cycles when the Fund would not otherwise have done so, which may adversely affect the Fund's performance. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions (e.g., if interest rates rise or fall significantly, if there is significant inflation or deflation, increased selling of debt securities generally across other funds, pools and accounts, changes in investor perception, or changes in government intervention in the financial markets) independent of any specific adverse changes in the conditions of a particular issuer. In such cases, shares of the Fund, due to the difficulty in purchasing and selling such securities or instruments, may decline in value or the Fund may be unable to achieve its desired level of exposure to a certain issuer or sector. During periods of substantial market disruption, a large portion of the Fund's assets could potentially experience significant levels of illiquidity. The values of illiquid investments are often more volatile than the values of more liquid investments. It may be more difficult for the Fund to determine a fair value of the Fund’s assets and the sale price may be substantially less than those of more liquid comparable investments. Bond funds have consistently grown over the past three decades while the growth of capacity for traditional dealer counterparties to engage in fixed income trading has not kept pace and in some cases has decreased.

As a result, dealer inventories of certain types of bonds and similar instruments, which provide a core counterparty to engage in fixed income trading, have consistently grown over the past three decades while the growth of capacity for traditional dealer counterparties to engage in fixed income trading has not kept pace and in some cases has decreased. The values of illiquid investments are often more volatile than the values of more liquid investments. It may be more difficult for the Fund to determine a fair value of the Fund’s assets and the sale price may be substantially less than those of more liquid comparable investments. Bond funds have consistently grown over the past three decades while the growth of capacity for traditional dealer counterparties to engage in fixed income trading has not kept pace and in some cases has decreased.
Valuation Risk. When market quotations are not readily available or are deemed to be unreliable, the Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board of Trustees. See “Net Asset Value.” Fair value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset.

Market Disruption and Geopolitical Risk. Various market risks can affect the price or liquidity of an issuer’s securities in which the Fund may invest. Returns from the securities in which the Fund invests may underperform returns from the various general securities markets. Different types of securities tend to go through cycles of overperformance and underperformance in comparison to the general securities markets.

Adverse events occurring with respect to an issuer’s performance or financial position can depress the value of the issuer’s securities. The liquidity in a market for a particular security will affect its value and may be affected by factors relating to the issuer, as well as the depth of the market for that security. Other market risks that can affect value include a market’s current attitudes about types of securities, market reactions to political or economic events, including litigation, and tax and regulatory effects (including lack of adequate regulations for a market or particular type of instrument). During periods of severe market stress, it is possible that the market for certain investments held by the Fund, such as high yield bonds and loans, may become highly illiquid. In such an event, the Fund may find it difficult to sell the investments it holds, and, for those investments it is able to sell in such circumstances, the sale price may be significantly lower than, and the trade settlement period may be longer than, anticipated.

Markets may, in response to governmental actions or intervention, political, economic or market developments, or other external factors, experience periods of high volatility and reduced liquidity. During those periods, the Fund may have to sell securities at times when it would otherwise not do so, and potentially at unfavorable prices. Securities may be difficult to value during such periods. These risks may be heightened for fixed income securities due to the current low interest rate environment.

The United States and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. For example, governmental financial regulators, including the U.S. Federal Reserve, have taken steps to maintain historically low interest rates, such as by purchasing bonds. Steps by those regulators, including, for example, steps to reverse, withdraw, curtail or taper such activities, could have a material adverse effect on prices for the Fund’s portfolio of investments and on the management of the Fund. The withdrawal of support, failure of efforts in response to a financial crisis, or investor perception that those efforts are not succeeding could negatively affect financial markets generally as well as the values and liquidity of certain securities. Federal, state, and other governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests or the issuers of such securities in ways that are unforeseeable.

Legislation or regulation also may change the way in which the Fund or the Advisor are regulated. Such legislation, regulation, or other government action could limit or preclude the Fund’s ability to achieve its investment objective and affect the Fund’s performance.

Political, social or financial instability, civil unrest and acts of terrorism are other potential risks that could adversely affect an investment in a security or in markets or issuer generally. In addition, political developments in foreign countries or the United States may at times subject such countries to sanctions from the U.S. government, foreign governments and/or international institutions that could negatively affect the Fund’s investments in issuers located in, doing business in or with assets in such countries.

Global economies and financial markets are also becoming increasingly interconnected, which increases the likelihood that conditions in one country or region might adversely impact issuers in a different country or region.

Credit Rating Agency Risk. Credit ratings are determined by credit rating agencies such as S&P, Moody’s and Fitch, and are only the opinions of such entities. Ratings assigned by a rating agency are not absolute determinations about the value of a security or other asset. As a result, there can be no assurance that credit ratings underlie the value of a security or other asset. Credit ratings may be revised upward or downward from time to time, so will its duration. Duration differs from maturity in that it considers potential changes to interest rates, and a security’s coupon payments, yield, price and par value and call features, in addition to the amount of time until the security matures. The duration of a security will be expected to change over time with changes in market factors and time to maturity.

Markets may underperform returns from the various general securities markets.

Duration Risk. Duration is the sensitivity, expressed in years, of the price of a fixed income security to changes in the general level of interest rates (or yields). Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations. In general, each 1% increase in duration represents an expected 1% change in the value for every 1% immediate change in interest rates (or yields). For example, if a portfolio of debt securities has an average duration of three years, its value can be expected to fall about 3% if interest rates (or yields) rise by 1%. Conversely, the portfolio's value can be expected to rise about 3% if interest rates (or yields) fall by 1%. As the value of a security changes over time, so will its duration. Duration differs from maturity in that it considers potential changes to interest rates, and a security’s coupon payments, yield, price and par value and call features, in addition to the amount of time until the security matures. The duration of a security will be expected to change over time with changes in market factors and time to maturity.

Illiquid/Restricted Securities Risk. The Fund may invest in securities that, at the time of investment, are illiquid (determined using the SEC’s standard applicable to registered investment companies, i.e., securities that cannot be disposed of by the Fund within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities). The Fund may also invest in restricted securities. Investments in restricted securities could have the effect of increasing the amount of the Fund’s assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase these securities. Illiquid and restricted securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of such securities. Illiquid and restricted securities are subject to greater risks as a result of the greater uncertainty of the ability of the Fund to sell them at a price which reflects the market value of such securities.

Potential Conflicts of Interest Risk. The Advisor and the portfolio managers have interests which could conflict with the interests of the Fund. In particular, the Advisor advises other investment funds or accounts with the same or substantially similar investment objective(s) and strategies as the Fund. As a result, the Advisor and the Fund’s portfolio managers may devote unequal time and attention to the management of the Fund and those other funds and accounts, and may not be able to formulate as complete a strategy or identify equally attractive investment opportunities as might be the case if they were to devote substantially more attention to the management of the Fund. The Advisor and the Fund’s portfolio managers may identify a limited investment opportunity that may be suitable for multiple funds and accounts, and the opportunity may be allocated among these several funds and accounts, which may limit the Fund’s ability to take full advantage of the investment opportunity. Additionally, transaction orders may be aggregated for multiple accounts for purposes of execution, which may cause the price or brokerage costs to be less favorable to the Fund than if similar transactions were not being executed concurrently for other accounts. At times, a portfolio manager may determine that an investment opportunity may be appropriate for only some of the funds and accounts for which he or she exercises investment responsibility, or may decide that certain of the funds and accounts should take differing positions with respect to a particular security. In those cases, the portfolio manager may place separate transactions for different accounts, which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and accounts.

For example, a portfolio manager may determine that it would be in the interest of another account to sell a security that the Fund holds, potentially resulting in a decrease in the market value of the security held by the Fund. To the extent that the Fund holds interests in an issuer that are different (or more senior or junior) than, or potentially adverse to, those held by other accounts managed by the Advisor, the Advisor may be presented with investment decisions where the outcome would benefit one account and would not benefit or would harm the other account. This may include, but is not limited to, an account investing in a different security of an issuer’s capital structure than another account, an account investing in the same security but on different terms than another account, an account obtaining exposure to an investment using different investment responsibility, or may decide that certain of the funds and accounts should take differing positions with respect to a particular security. In those cases, the portfolio manager may place separate transactions for different accounts, which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and accounts.

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For example, a portfolio manager may determine that it would be in the interest of another account to sell a security that the Fund holds, potentially resulting in a decrease in the market value of the security held by the Fund. To the extent that the Fund holds interests in an issuer that are different (or more senior or junior) than, or potentially adverse to, those held by other accounts managed by the Advisor, the Advisor may be presented with investment decisions where the outcome would benefit one account and would not benefit or would harm the other account. This may include, but is not limited to, an account investing in a different security of an issuer’s capital structure than another account, an account investing in the same security but on different terms than another account, an account obtaining exposure to an investment using different types of securities or instruments than another account, an account engaging in short selling of securities that another account holds long, an account voting securities in a different manner than another account, and/or an account acquiring or disposing of its interests at different times than another account. This could have a material adverse effect on, or in some instances could benefit, one or more of such accounts, including accounts managed by the Advisor, which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and accounts.
same place in the capital structure), the Fund may be prohibited by applicable law from participating in restructurings, work-outs or other activities related to its investment in the issuer. As a result, the Fund may not be permitted by law to make the same investment decisions as other accounts in the same or similar situations even if the Advisor believes it would be in the Fund's best economic interests to do so. The Fund may be prohibited by applicable law from investing in an issuer (or an affiliate) that other accounts are also investing in or currently invest in even if the Advisor believes it would be in the best economic interests of the Fund to do so. Furthermore, entering into certain transactions that are not deemed prohibited by law when made may potentially lead to a condition that raises regulatory or legal concerns in the future. In some cases, to avoid the potential of future prohibited transactions, the Advisor may avoid allocating an investment opportunity to the Fund that it would otherwise recommend, subject to the Advisor’s then-current allocation policy and any applicable exemptions.

In certain circumstances, the Advisor may be restricted from transacting in a security or instrument because of material non-public information received in connection with an investment opportunity that is offered to the Advisor or an affiliate of the Advisor. In other circumstances, the Advisor will not participate in an investment opportunity to avoid receiving material non-public information that would restrict the Advisor from transacting in a security or instrument. These restrictions may adversely impact the Fund's performance.

The portfolio managers may also engage in cross trades between funds and accounts, may select brokers or dealers to execute securities transactions based in part on brokerage and research services provided to the Advisor which may not benefit all funds and accounts equally and may receive different amounts of financial or other benefits for managing different funds and accounts. Finally, the Advisor or its affiliates may provide more services to some types of funds and accounts than others.

There is no guarantee that the policies and procedures adopted by the Advisor and the Fund will be able to identify or mitigate the conflicts of interest that arise between the Fund and any other investment funds or accounts that the Advisor may manage or advise from time to time. For further information on potential conflicts of interest, see “Investment Advisor” in the SAI.

In addition, while the Fund is using leverage, the amount of the fees paid to the Advisor for investment advisory and management services are higher than if the Fund did not use leverage because the fees paid are calculated based on the Fund's Managed Assets, which include assets purchased with leverage. Therefore, the Advisor has a financial incentive to leverage the Fund, which may create a conflict of interest between the Advisor and the Common Shareholders of the Fund.

Anti-Takeover and Other Provisions in the Declaration and By-Laws. The Fund's Declaration and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares. See “Certain Provisions in the Declaration of Trust and By-Laws.” In addition, the Declaration contains provisions governing the bringing of claims by shareholders against the Fund, including a forum selection provision and the waiver of jury trials to the fullest extent permitted by law. These provisions could have the effect of discouraging suits by shareholders or making them more costly to bring. See “Certain Provisions in the Declaration of Trust” in the SAI.

OTHER RISKS RELATING TO THE FUND Technology Risk. As the use of Internet technology has become more prevalent, the Fund and its service providers and markets generally have become more susceptible to potential operational risks related to intentional and unintentional events that may cause the Fund or a service provider to lose proprietary information, suffer data corruption or lose operational capacity. There can be no guarantee that any risk management systems established by the Fund, its service providers, or issuers of the securities in which the Fund invests to reduce technology and cyber security risks will succeed, and the Fund cannot control such systems put in place by service providers, issuers or other third parties whose operations may affect the Fund.

Cyber Security Risk. The Fund and its service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that the Fund and its service providers use to service the Fund's operations; or operational disruption or failures in the physical infrastructure or operating systems that support the Fund and its service providers. Cyber-attacks against or cyber-breach of the Fund or its service providers may adversely impact the Fund and its shareholders, potentially resulting in, among other things, financial losses; the inability of Fund shareholders to transact business and the Fund to process transactions; inability to calculate the Fund's NAV; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Fund may incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks may also impact issuers of securities in which the Fund invests, which may cause the Fund's investment in such issuers to lose value. There can be no assurance that the Fund or its service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.

Portfolio Turnover Risk. The Fund’s annual portfolio turnover rate may vary from year to year, as well as within a given year. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is initially anticipated to be between 35% and 75% under normal circumstances. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to Common Shareholders, will be taxable as ordinary income. A high portfolio turnover may increase the Fund's expenses as well as current and accumulated earnings and profits, resulting in a greater portion of the Fund's distributions being treated as a dividend to the Fund's Common Shareholders. However, portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Fund. See “Federal Tax Matters.”

Earnings Risk. The Fund’s limited term may cause it to invest in lower yielding securities or hold the proceeds of securities sold near the end of its term in cash or cash equivalents, which may adversely affect the performance of the Fund or the Fund’s ability to maintain its dividend.

Tax Risks. The Fund intends to elect to be treated and to qualify each year as a “regulated investment company” (“RIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). As a RIC, the Fund is not expected to be subject to U.S. federal income tax to the extent that it distributes its investment company taxable income and net capital gains. To qualify for the special tax treatment available to a RIC, the Fund must comply with certain investment distribution, and diversification requirements. Under certain circumstances, the Fund may be forced to sell certain assets when it is not advantageous in order to meet these requirements, which may reduce the Fund’s overall return. If the Fund fails to meet any of these requirements, subject to the opportunity to cure such failures under applicable provisions of the Code, the Fund’s income would be subject to a double level of U.S. federal income tax. The Fund’s income, including its net capital gain, would first be subject to U.S. federal income tax at regular corporate rates, even if such income were distributed to shareholders and, second, all distributions by the Fund from earnings and profits, including distributions of net capital gain (if any), would be taxable to shareholders as dividends. See “Federal Tax Matters.”

Temporary Defensive Strategies Risk. When the Advisor anticipates unusual market or other conditions, the Fund may temporarily depart from its principal investment strategies as a defensive measure and invest all or a portion of its Managed Assets in cash or cash equivalents or accept lower current income from short-term investments rather than investing in high yielding long-term securities. In such a case, Common Shareholders of the Fund may be adversely affected and the Fund may not pursue or achieve its investment objective.

Secondary Market for the Fund’s Common Shares. The issuance of Common Shares through the Fund’s dividend reinvestment plan may have an adverse effect on the secondary market for the Fund’s Common Shares. The increase in the number of outstanding Common Shares resulting from issuances pursuant to the Fund’s dividend reinvestment plan and the discount to the market price at which such Common Shares may be issued may put downward pressure on the market price for Common Shares. Common Shares will not be issued pursuant to the dividend reinvestment plan at any time when Common Shares are trading at a lower price than the Fund’s NAV per Common Share. When the Fund’s Common Shares are trading at a premium, the Fund may also issue Common Shares that may be sold through private transactions effected on the NYSE or through broker-dealers. The increase in the number of Common Shares resulting from these offerings may put downward pressure on the market price for Common Shares. All of the indices shown herein are unmanaged, statistical composites that cannot be purchased directly by investors. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. The asset classes shown herein offer different characteristics in terms of income, tax treatment, capital appreciation and risk. Senior Loans are typically rated below investment grade; they are securities that are rated below “BBB-” by S&P or Fitch, or below “Ba3” by Moody’s, or comparably rated by another NRSRO or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. Below investment grade instruments are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. See page 8 in this brochure, “Credit and Below Investment Grade Securities Risk” for more information.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.
Index Definitions

High-Yield Bonds are represented by the ICE BofA U.S. High Yield Constrained Index (HUC0) which tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market but caps issuer exposure at 2%.

Senior Loans are represented by the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan Index (LLI) which is a leveraged loan index which covers the U.S. loan market. The index reflects the market-weighted performance of institutional leveraged loans in the U.S. loan market based upon real-time market weightings, spreads and interest payments.

Municipal Bonds are represented by the Bloomberg Barclays U.S. Municipal Bond Index. The Index covers the USD denominated long-term tax-exempt bond market.

Investment Grade Corporate Bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade Bond Index which consists of publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

U.S. Core Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index which covers the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

U.S. Government Bonds are represented by the Bloomberg Barclays U.S. Government Index. The Index is comprised of the U.S. Treasury and U.S. Agency Indices and includes Treasuries and U.S. agency debentures.

TIPS are represented by the Bloomberg Barclays U.S. Treasury Inflation-Protected Securities (TIPS) Index. The Index tracks inflation-protected securities issued by the U.S. Treasury with maturities from 1 and up to 5 years.

MLPs are represented by the Alerian MLP Index, which is a composite of the 50 most prominent energy master limited partnerships ("MLPs") calculated using a float-adjusted market capitalization methodology.

U.S. Mortgage-Backed Securities are represented by the ICE BofA U.S. Mortgage-Backed Securities Index which tracks the performance of U.S. dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market.

Intermediate Corporate Bonds are represented by the Bloomberg Barclays U.S. Intermediate Credit Index which measures the IG, U.S. dollar (USD)-denominated, fixed-rate, taxable corporate and government-related bond markets with a maturity greater than 1 yr. and less than 10 yrs.

Long Corporate is represented by Bloomberg Barclays U.S. Long Credit Index which measures the IG, USD-denominated, fixed-rate, taxable corporate and government-related bond markets with 10 or more years to maturity.

Intermediate Treasury is represented by Bloomberg Barclays U.S. Intermediate Treasury Index which consists of public obligations of the U.S. Treasury with maturities from 1 and up to 10 yrs.

Long Treasury is represented by Bloomberg Barclays U.S. Long Treasury Index which consists of public obligations of the U.S. Treasury with 10 or more years to maturity.

Global Treasury is represented by Bloomberg Barclays Global Treasury Index which tracks fixed-rate, local currency government debt of IG countries, including both developed and emerging markets.

Preferred Securities are represented by ICE BofA Preferred Stock Index which tracks the performance of preferred securities issued in the domestic market.

Emerging Markets is represented by the ICE BofA U.S. Emerging Markets (EM) External Sovereign Index which tracks the performance of U.S. dollar emerging markets sovereign debt publicly issued in the US and eurobond markets.

U.S. Convertibles are represented by the ICE BofA U.S. Convertible Index which measures the return of all U.S. convertible bonds.

U.S. Treasury is represented by the Bloomberg Barclays U.S. Treasury Index which measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Commodities are represented by the Bloomberg Commodity Index which is made up of exchange-traded futures on physical commodities and represents 20 commodities, which are weighted to account for economic significance and market liquidity.

S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance.

GNMA is represented by the Bloomberg Barclays GNMA Index which consists of 30-year and 15-year pass-through GNMA mortgage-backed securities (GPMs).

Short Treasury is represented by the Bloomberg Barclays 2-Yr U.S. Treasury Bellwethers Index which consists of U.S. Treasury bonds with an average maturity of two years.
The Fund. First Trust High Yield Opportunities 2027 Term Fund (the “Fund”) is a newly organized, diversified, closed-end management investment company.

Investment Objective. The Fund’s investment objective is to provide current income. There can be no assurance that the Fund will achieve its investment objective or that the Fund’s investment strategies will be successful.

Seven-Year Term. The Fund intends to liquidate and distribute substantially all of its net assets to shareholders on or about August 1, 2027 (the “Termination Date”).

Investment Strategies. Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its Managed Assets (as defined below) in high yield debt securities of any maturity that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor (as defined below) to be of comparable quality. Such securities include U.S. and non-U.S. corporate debt obligations and senior, secured floating rate loans (“Senior Loans”). See “The Fund’s Investments—Investment Policies and Strategies.” Securities rated below investment grade are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal. See “Risks—Principal Risks—Credit and Below Investment Grade Securities Risk.” Below investment grade securities are securities rated below “BBB-” by S&P or Fitch, or below “Baa3” by Moody’s (each, as defined below), or comparably rated by another nationally recognized statistical rating organization or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. The Fund’s investments may include securities of issuers located in countries considered to be emerging markets. Investments in such emerging market securities entail additional risks. See “Risks—Principal Risks—Emerging Markets Risk.”

Portfolio Holdings Disclosure. After the invest-up period and prior to the wind-down period, under normal market conditions, the Fund currently intends to disclose on its website (www.ftportfolios.com) its portfolio holdings on a daily basis.

No Prior History. Because the Fund is newly organized, its Common Shares have no history of public trading. Shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk of loss due to the discount may be greater for investors expecting to sell their Common Shares in a relatively short period of time after completion of the public offering. The Fund intends to apply to list its Common Shares on the New York Stock Exchange. The trading or ticker symbol of the Common Shares is expected to be “FTHY.”

This prospectus sets forth concisely information about the Fund that a prospective investor should know before investing, and should be retained for future reference. Investing in the Fund’s Common Shares involves certain risks that are described in the “Risks” section beginning on page 29 of this prospectus, including the risk that you could lose some or all of your investment.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Common Shares to purchasers on or about , 2020.

**Morgan Stanley**

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The date of this prospectus is , 2020.
The Fund is not a so-called “target date” or “life cycle” fund whose asset allocation becomes more conservative over time as its target date, often associated with retirement, approaches. In addition, the Fund is not a “target term” fund whose investment objective is to terminate its operations and effectively liquidate all of its investments on the so-called “Target Term,” and such investors and investors that purchase Common Shares after the completion of this offering may receive more or less than their original investment upon termination. See “Distributions” and “Federal Tax Matters.”

Seven-Year Term. On or about the Termination Date, the Fund intends to cease its investment operations, liquidate its portfolio (to the extent possible) and retire or redeem its leverage facilities, unless the term is extended for one period of up to six months by a vote of the Fund’s Board of Trustees. The amount distributed to Common Shareholders at termination will be based on the Fund’s net asset value (“NAV”) at that time, which may be more or less than the public offering price.

The Fund is not a so-called “target date” or “life cycle” fund whose asset allocation becomes more conservative over time as its target date, often associated with retirement, approaches. In addition, the Fund is not a “target term” fund whose investment objective is to terminate its operations and effectively liquidate all of its investments on the so-called “Target Term,” and such investors and investors that purchase Common Shares after the completion of this offering may receive more or less than their original investment upon termination. See “Distributions” and “Federal Tax Matters.”

Use of Leverage. The Fund currently intends to use leverage to seek to achieve its investment objective. The Fund initially anticipates that, under normal market conditions, it will employ leverage through borrowings from banks or other financial institutions in the amount of approximately 30% of the Fund’s Managed Assets. The costs associated with any issuance and use of leverage will be borne by Common Shareholders. The use of leverage is a speculative technique and investors should note that there are special risks and costs associated with the leveraging of the Common Shares. There can be no assurance that a leveraging strategy will be successful during any period in which it is employed. See “Use of Leverage” and “Risks—Principal Risks—Leverage Risk.”

You should read this prospectus, which contains important information about the Fund, before deciding whether to invest in the Fund’s Common Shares, and retain it for future reference. The SAI, dated 2020, as it may be supplemented, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the SAI, the table of contents of which is on page 66 of this prospectus, annual and semi-annual reports to shareholders when available, and other information about the Fund, and make shareholder inquiries by calling (800) 988-5891, by writing to the Fund at 120 East Liberty Drive, Wheaton, Illinois 60187, or from the Fund’s or the Advisor’s website (http://www.ftportfolios.com). Please note that the information contained in the Fund’s or Advisor’s website, whether currently posted or posted in the future, is not part of this prospectus or the documents incorporated by reference in this prospectus. You also may obtain a copy of the SAI (and other information regarding the Fund) from the Securities and Exchange Commission’s website (http://www.sec.gov).

Beginning on January 1, 2021, as permitted by regulations adopted by the SEC, paper copies of the Fund’s annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund’s website (www.ftportfolios.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank). You may elect to receive all future reports in paper free of charge. You can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. Your election to receive reports in paper will apply to all funds held in your account if you invest through your financial intermediary.

The Fund’s Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.
You should rely only on the information contained or incorporated by reference in this prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.
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This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund’s common shares of beneficial interest (the “Common Shares”). You should review the more detailed information contained elsewhere in this prospectus and in the Statement of Additional Information (the “SAI”), especially the information set forth in this prospectus under the heading “Risks.”

The Fund

First Trust High Yield Opportunities 2027 Term Fund (the “Fund”) is a newly organized, diversified, closed-end management investment company. See “The Fund.”

The Offering

The Fund is offering Common Shares at $20.00 per share through a group of underwriters (the “Underwriters”) led by Morgan Stanley & Co. LLC. You must purchase at least 100 Common Shares in this offering. The Fund has given the Underwriters an option to purchase up to additional Common Shares within 45 days of the date of this prospectus solely to cover over-allotments, if any. The Advisor (as defined below) has agreed to pay compensation of $0.40 per Common Share to the Underwriters in connection with this offering. The Advisor also has agreed to pay all of the Fund’s organizational expenses and all offering costs associated with this offering. The Fund is not obligated to repay any such organizational expenses or offering costs paid by the Advisor. See “Underwriters.”

Who May Want to Invest

Investors should consider their financial situation and needs, other investments, investment goals and experience, time horizons, liquidity needs and risk tolerance before investing in the Fund. An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. The Fund is designed for investment and not as a trading vehicle. The Fund may be appropriate for investors who are seeking income with significant credit risks with the following features and potential benefits:

• current income;
• a defined term of seven years;
• a diversified portfolio of high yield corporate debt securities; and
• access to the credit expertise of the First Trust Leveraged Finance Investment Team at First Trust Advisors L.P. (“First Trust” or the “Advisor”).

Portfolio Holdings Disclosure

After the invest-up period and prior to the wind-down period, under normal market conditions, the Fund currently intends to disclose on its website (www.ftportfolios.com) its portfolio holdings on a daily basis.

Investment Objective

The Fund’s investment objective is to provide current income. There can be no assurance that the Fund will achieve its investment objective or that the Fund’s investment strategies will be successful.

The Fund intends to liquidate and distribute substantially all of its net assets to shareholders on or about August 1, 2027 (the “Termination Date”).

Investment Policies and Strategies

Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its Managed Assets (as defined below) in high yield debt securities of any maturity that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. Below investment grade securities are commonly referred to as “junk bonds” or “junk securities”. High yield debt securities include U.S. and non-U.S. corporate debt obligations (such as bonds and notes issued by corporations and other business entities) and senior, secured floating rate loans (“Senior Loans”) (as well as other types of instruments described in this prospectus and the SAI and derivatives that provide comparable economic exposure to the corporate debt market).
The corporate debt obligations in which the Fund may invest are generally issued by U.S. and non-U.S. companies to borrow money from investors, typically to finance their operations. These obligations may be either secured or unsecured. Holders of corporate debt obligations, as creditors, have a prior legal claim over common and preferred stockholders as to both income and assets of the issuer for the principal and interest due to them and may have a prior claim over other creditors but are generally subordinate to any existing lenders in the issuer’s capital structure. Interest on corporate debt obligations may be fixed or floating, or such obligations may be zero coupon fixed income securities which pay no interest. Interest on corporate debt obligations is typically paid semi-annually and is fully taxable to the security holder. See “Risks—Principal Risks—Corporate Debt Obligations Risk.”

The Senior Loans in which the Fund may invest are generally made to U.S. and non-U.S. corporations, partnerships and other business entities. Senior Loans are generally secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the borrower. Senior Loans pay interest at rates which are determined periodically on the basis of a floating base lending rate, plus a risk premium. If the nationally recognized statistical rating organizations (“NRSROs”) assign different ratings to the same Senior Loan, the Fund will use the lowest available rating for purposes of its 80% policy. See “Risks—Principal Risks—Senior Loan Risk.” Some of the loans in which the Fund may invest or to which the Fund may obtain exposure may be “covenant-lite.” Such loans contain fewer or less restrictive constraints on the borrower than certain other types of loans. Accordingly, the Fund may have fewer rights against a borrower when it invests in or has exposure to such loans and so may have a greater risk of loss on such investments as compared to investments in or exposure to loans with additional or more conventional covenants. See “Risks—Principal Risks—Other Risks Associated with Loans—Restrictive Loan Covenants Risk.”

The Fund’s investments may include securities of issuers located in countries considered to be emerging markets. Investments in such emerging market securities entail additional risks. See “Risks—Principal Risks—Emerging Markets Risk.” The Fund’s investments also may include defaulted or distressed securities—i.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. See “Risks—Principal Risks—Defaul ted and Distressed Securities Risk.” For a further description of the Fund’s potential principal investments, see “The Fund’s Investments—Portfolio Composition.”

In addition, under normal market conditions:

- The Fund may invest up to 20% of its Managed Assets in (i) investment grade corporate debt obligations, (ii) U.S. and non-U.S. government debt securities, (iii) warrants and equity securities, including common stock and other equity securities acquired in connection with the restructuring of the debt of an issuer, the reorganization of a Senior Loan or as part of a package of securities acquired together with the Senior Loans of an issuer, and (iv) investment companies.

- The Fund will invest no more than 25% of its Managed Assets in any single industry in the corporate debt market.
• The Fund will not invest more than 5% of its Managed Assets in securities issued by a single issuer, other than securities issued by the U.S. government.

The Fund also may use certain credit derivatives to take on additional credit risk and obtain exposure to the high yield corporate debt market. These instruments, if used, will be considered an investment in high yield debt securities for purposes of the Fund’s investment policy to invest, under normal market conditions, at least 80% of its Managed Assets in high yield debt securities that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. The Fund anticipates that total return swaps and credit default swaps will be the primary type of credit derivatives used to gain such exposure to high yield debt securities as part of its investment strategy. See “Risks—Principal Risks—Total Return Swaps Risk” and “Risks—Principal Risks—Credit Default Swaps Risk.” The Fund’s use of total return swaps, credit default swaps and other derivative transactions other than for hedging purposes, as measured by the total notional amount of such instruments, will not exceed 20% of the Fund’s Managed Assets. If the exposure to the underlying instrument of a derivative position of the Fund is negated or offset by another derivative position of the Fund providing exposure to the same underlying instrument, the Fund will include only the net amount of the exposure for purposes of calculating the foregoing limitation. The Fund also may enter into futures contracts and options on futures contracts, and may, but is not required to, use various other derivative transactions to seek to manage the risks of the Fund’s portfolio securities or for other purposes to the extent the Advisor determines that the use of such transactions is consistent with the Fund’s investment objective, policies and applicable regulatory requirements.

During temporary defensive periods, the period in which the net proceeds of the offering of Common Shares are first being invested or the period in which the Fund is approaching its Termination Date (i.e., the “wind-down” period during which the Fund may begin liquidating its portfolio in anticipation of the Termination Date; which period is expected to begin six months prior to the Termination Date), the Fund may deviate from its investment policies and objective. During such periods, the Fund may invest up to 100% of its Managed Assets in cash or short-term investments, including high quality, short-term securities, or may invest in short- or intermediate-term U.S. Treasury securities. There can be no assurance that such techniques will be successful. Accordingly, during such periods, the Fund may not achieve its investment objective.

“Managed Assets” means the average daily gross asset value of the Fund (which includes assets attributable to the Fund’s preferred shares of beneficial interest (“Preferred Shares”), if any, and the principal amount of any borrowings or commercial paper or notes issued by the Fund), minus the sum of the Fund’s accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings of money incurred or of commercial paper or notes issued by the Fund). For purposes of determining Managed Assets, the liquidation preference of the Preferred Shares would not be treated as a liability.

Percentage limitations described in this prospectus are as of the time of investment by the Fund and may be exceeded on a going-forward basis as a result of credit rating downgrades or market value fluctuations of the Fund’s portfolio securities.

Unless otherwise specified, the investment policies and limitations of the Fund are not considered to be fundamental by the Fund and can be changed without a vote of the holders of the Common Shares (“Common Shareholders”) upon 60 days’ prior written notice to shareholders. The Fund’s investment objective and certain investment restrictions specifically identified as such in the SAI are considered fundamental and may not be changed without approval of the holders of a “majority of the outstanding voting securities” of the Fund, as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), which includes Common Shares and Preferred Shares, if any, voting together as a single class, and the holders of the outstanding Preferred Shares, if any, voting as a single class.
Investment Advisor
First Trust Advisors L.P. will be the Fund’s investment adviser and will be responsible for the day-to-day management of the Fund’s portfolio, managing the Fund’s business affairs and providing certain clerical, bookkeeping and other administrative services.

First Trust, a registered investment adviser, is an Illinois limited partnership formed in 1991. It serves as investment adviser or portfolio supervisor to investment portfolios with approximately $127 billion in assets, which it managed or supervised as of April 30, 2020. See “Management of the Fund” in this prospectus and “Investment Advisor” in the SAI.

Investment Philosophy and Process
The investment philosophy for the Advisor’s Leveraged Finance Investment Team is based on the belief that deep fundamental credit analysis performed by a highly experienced credit team, within a risk managed framework, will generate higher absolute and risk-adjusted returns in high yield debt strategies. The team’s core framework is designed around capturing yield and seeking to avoid loss. This investment philosophy is expressed by the team through an investment process that combines rigorous bottom-up fundamental credit analysis and disciplined portfolio construction. Risk management is a critical component of the entire process and is embedded in both the fundamental credit analysis and portfolio construction.

Fundamental credit analysis involves the evaluation of the macro-economy, industry trends, consistency of cash flows, collateral coverage and management quality. The Advisor’s key considerations of portfolio construction include relative value assessment, portfolio diversification, issuer liquidity and continuous monitoring. Through fundamental credit analysis, the Advisor’s Leveraged Finance Investment Team can position the Fund’s portfolio in high yield debt securities that the Advisor believes provide the most attractive opportunities in the market. See “The Fund’s Investments—Investment Philosophy and Process.”

Seven-Year Term
The Fund intends, on or about the Termination Date, to cease its investment operations, liquidate its portfolio (to the extent possible), retire or redeem its leverage facilities, and distribute all its liquidated net assets to Common Shareholders of record. However, if the Board of Trustees determines it is in the best interest of the shareholders to do so, upon provision of at least 60 days’ prior written notice to shareholders, the Fund’s term may be extended, and the Termination Date deferred, for one period of up to six months by a vote of the Board of Trustees. In determining whether to extend the Fund’s term beyond the Termination Date, the Board of Trustees may consider the inability to sell the Fund’s assets in a time frame consistent with termination due to lack of market liquidity or other extenuating circumstances. Additionally, the Board of Trustees may determine that market conditions are such that it is reasonable to believe that, with an extension, the Fund’s remaining assets will appreciate and generate income in an amount that, in the aggregate, is meaningful relative to the cost and expense of continuing the operation of the Fund.

The Fund’s final distribution to Common Shareholders will be based upon the Fund’s net asset value (“NAV”) on the Termination Date, and initial investors and any investors that purchase Common Shares after the completion of this offering (particularly if their purchase price differs meaningfully from the original offering price) may receive more or less in such final distribution than the amount of their original investment. The Fund will make a distribution on or about the Termination Date of all cash raised from the liquidation of the Fund’s assets at that time. However, if the Fund is not able to liquidate all of its assets prior to that distribution (for example, because one or more portfolio securities are in workout or receivership on the Termination Date), or to the extent accrued but unpaid interest on the liquidated portfolio securities will be made following such distribution, subsequent to that distribution, the Fund may make one or more small additional distributions of any cash received from ultimate liquidation of those assets and from payment of such accrued interest. The Fund expects that the total of such liquidating distributions, including any
additional subsequent distributions, will equal the Fund’s NAV on the Termination Date, but the actual total may be more or less than that NAV, depending on the ultimate results of those post-Termination Date asset liquidations.

The Fund’s NAV on the Termination Date will depend upon a variety of factors, including the performance of the Fund’s portfolio over the life of the Fund and the amounts of income or gains retained by the Fund that otherwise would have been paid out as income dividends or capital gain distributions over the life of the Fund, and the amount of any taxes paid on such retained amounts.

Interest rates, including yields on below investment grade securities (which are commonly referred to as “junk” or “high yield” securities), tend to vary with maturity. Securities with longer maturities tend to have higher yields than otherwise similar securities having shorter maturities. To the extent the average effective maturity of the Fund’s portfolio shortens as the Fund approaches its Termination Date, shareholders should expect that the average portfolio yield will also fall during such period. Consequently, the Fund’s dividend rate may need to be reduced over time as the yield on portfolio securities declines as they are sold and either not replaced or replaced by lower-yielding securities; and as the portfolio is liquidated prior to and in anticipation of the Termination Date, as described above. See “Risks—Principal Risks—Seven-Year Term Risk.”

The Fund is not a so called “target date” or “life cycle” fund whose asset allocation becomes more conservative over time as its target date, often associated with retirement, approaches. In addition, the Fund is not a “target term” fund whose investment objective is to return its original NAV on the termination date. The Fund’s investment objective and policies are not designed to seek to return to investors that purchase Common Shares in this offering their initial investment of $20.00 per Common Share on the Termination Date, and such investors and investors that purchase Common Shares after the completion of this offering may receive more or less than their original investment upon termination. See “Certain Provisions in the Declaration of Trust and By-Laws.”

The Fund currently intends to use leverage to seek to achieve its investment objective. The Fund initially anticipates that, under normal market conditions, it will employ leverage through borrowings from banks or other financial institutions in an amount equal to approximately 30% of the Fund’s Managed Assets. The Fund does not currently anticipate it will issue Preferred Shares within 12 months of the date of this prospectus. The Fund also may enter into derivative and other transactions that have the economic effect of leverage. Economic leverage exists when the Fund seeks the right to a return on a capital base that exceeds the investment which the Fund has contributed to the instrument seeking a return. This prospectus refers to the combination of such economic leverage and the Fund’s senior securities (as defined under the 1940 Act) as “effective leverage.” Under normal market conditions, the Fund will seek to limit its overall effective leverage to 40% of its Managed Assets.

In general, the Fund is prohibited from engaging in most forms of leverage representing indebtedness unless immediately after the issuance of such leverage the Fund has satisfied the asset coverage requirement with respect to senior securities representing indebtedness prescribed by the 1940 Act—i.e., the value of the Fund’s total assets, less all liabilities and indebtedness not represented by senior securities (for these purposes, “total net assets”), is at least 300% of the senior securities representing indebtedness (effectively limiting the use of leverage through senior securities representing indebtedness to 33 1/3% of the Fund’s total net assets, including assets attributable to such leverage). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, this asset coverage requirement is satisfied. The Fund may (but is not required to) cover its commitments under its derivative and other transactions by segregating liquid assets, or by entering into offsetting transactions or owning positions covering its obligations. To the extent these instruments are so covered, they will not be considered “senior securities” under the 1940 Act and therefore will not be subject to the 300% asset coverage requirement.
coverage requirement of the 1940 Act otherwise applicable to forms of senior securities representing indebtedness used by the Fund. However, the Securities and Exchange Commission has proposed a new rule that could further limit or otherwise alter the Fund’s ability to use certain derivative and other transactions. See “Risks—Principal Risks—Risks of Investing in Derivative Transactions.” Moreover, even if such derivative and other transactions of the Fund are covered, they could represent a form of economic leverage and create special risks. See “Risks—Principal Risks—Leverage Risk.”

The Fund will seek to use leverage opportunistically and may determine to increase, decrease, or eliminate its use of leverage over time and from time to time based on various considerations, including the yield curve environment, interest rate trends, market conditions and time remaining until the Termination Date. There is no assurance that borrowings or other forms of leverage will in fact be established or be maintained in the future. If and when leverage is used, there is no assurance that the Fund’s leveraging strategies will be successful. The use of leverage will increase the volatility of the performance of the Fund’s investment portfolio and could result in the Fund experiencing greater losses than if leverage was not used. The net proceeds the Fund obtains from the use of leverage will be invested in accordance with the Fund’s investment objective and policies as described in this prospectus. So long as the rate of return, net of applicable Fund expenses, on the investments purchased by the Fund from leverage proceeds exceeds the costs of such leverage to the Fund, the use of leverage should help the Fund to achieve an investment return greater than it would if it were not leveraged, although the use of leverage also may result in losses greater than if the Fund had not used leverage.

Leveraging is a speculative technique and there are special risks and costs involved. See “Risks—Principal Risks—Leverage Risk.” The Fund cannot assure you that the use of leverage, including through borrowings and/or the use of derivatives will result in a higher investment return on the Common Shares, and it may result in losses. When leverage is used, the NAV and market price of the Common Shares and the yield to Common Shareholders will be more volatile. In addition, the leverage costs will be borne immediately by the Common Shareholders and result in a reduction of the NAV of the Common Shares. See “Summary of Fund Expenses.” Any senior securities issued by the Fund will have seniority over the Common Shares and, therefore, have complete priority upon distribution of assets over the Common Shares.

Because the management fee received by the Advisor is based on Managed Assets (which includes assets attributable to the Fund’s borrowings and other forms of leverage, such as the Fund’s derivative instruments), there is a financial incentive for the Advisor to cause the Fund to use leverage, which creates a conflict of interest between the Advisor and the Common Shareholders. See “Risks—Principal Risks—Potential Conflicts of Interest Risk.”

**Distributions**

The Fund intends to distribute monthly all or a portion of its net investment income to Common Shareholders (after the payment of interest and/or dividends in connection with leverage). In addition, the Fund intends to distribute any net long-term capital gains, if any, to Common Shareholders as long-term capital gain dividends at least annually. The Fund’s initial monthly distribution is expected to be declared approximately 30 to 45 days after the completion of this offering and paid approximately 60 to 90 days after the completion of this offering, depending on market conditions. Unless an election is made to receive dividends in cash, Common Shareholders will automatically have their monthly distributions reinvested in Common Shares through the Fund’s dividend reinvestment plan. See “Dividend Reinvestment Plan.” The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distributions at any time upon notice to shareholders.

From time to time, portions of the Fund’s distributions may constitute a return of capital. A return of capital to Common Shareholders is a return of a portion of their original investment in the Fund and does not represent net income or profit. A return of
capital would reduce a Common Shareholder’s tax basis in its Common Shares, which could result in higher taxes when the Common Shareholder sells such Common Shares. This may cause the Common Shareholder to owe taxes even if it sells Common Shares for less than the original purchase price of such Common Shares. See “Distributions” and “Federal Tax Matters.”

Custodian, Administrator, Fund Accountant and Transfer Agent

The Fund has retained The Bank of New York Mellon (“BNY”) as custodian, administrator and fund accountant and Computershare Trust Company, N.A. as transfer agent for the Fund. The Advisor and the Board of Trustees will be responsible for overseeing the activities of the custodian, administrator, fund accountant and transfer agent. See “Custodian, Administrator, Fund Accountant and Transfer Agent.”

Listing

The Fund intends to apply to list the Common Shares on the New York Stock Exchange. The trading or ticker symbol of the Common Shares is expected to be “FTHY.”

Closed-End Structure

Closed-end funds differ from open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at NAV at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds can generally stay more fully invested in securities consistent with the closed-end fund’s investment objective(s) and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

Shares of closed-end funds listed for trading on a securities exchange frequently trade at a discount from NAV, but in some cases trade at a premium. The market price of such shares may be affected by factors such as NAV, dividend or distribution levels and their stability (which will in turn be affected by levels of dividend and interest payments by the fund’s portfolio holdings, the timing and success of the fund’s investment strategies, regulations affecting the timing and character of fund distributions, fund expenses and other factors), supply of and demand for the shares, trading volume of the shares, general market, interest rate and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors, among others, may result in the market price of the Common Shares being greater than, less than or equal to NAV. See “Structure of the Fund; Common Share Repurchases and Conversion to Open-End Fund.”

Federal Tax Matters

Distributions with respect to the Common Shares will constitute dividends to the extent of the Fund’s current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes. Such dividends generally will be taxable as ordinary income to Common Shareholders. Distributions of net capital gain that are designated by the Fund as capital gain dividends will be treated as long-term capital gains in the hands of Common Shareholders receiving such distributions. See “Federal Tax Matters.”

Summary of Principal Risks

Risk is inherent in all investing. The principal risks of investing in the Fund are summarized below. There may be circumstances that could prevent the Fund from achieving its investment objective and you may lose money by investing in the Fund. You should carefully consider the Fund’s investment risks before deciding whether to invest in the Fund. An investment in the Fund is not a deposit at a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

For a more complete discussion of the risks of investing in the Fund, see “Risks” beginning on page 29. Shareholders should consider carefully the following principal risks before investing in the Fund.
No Operating History. The Fund is a newly organized, diversified, closed-end management investment company with no operating history.

Investment and Market Risk. An investment in the Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Accordingly, an investment in the Fund’s Common Shares is subject to investment risk, including the possible loss of the entire amount that you invest. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Market Discount from Net Asset Value Risk. Shares of closed-end investment companies frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Common Shares in a relatively short period of time following completion of this offering. Because the market price of the Common Shares will be determined by factors such as NAV, dividend and distribution levels and their stability (which will in turn be affected by levels of dividend and interest payments by the Fund’s portfolio holdings, the timing and success of the Fund’s investment strategies, regulations affecting the timing and character of Fund distributions, Fund expenses and other factors), supply of and demand for the Common Shares, trading volume of the Common Shares, general market, interest rate and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether or when the Common Shares will trade at, below or above NAV or at, below or above the initial public offering price.

General Economic and Market Conditions. The success of the Fund’s activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances.

Recent Market Circumstances. The Fund (as well as its service providers) may be adversely affected by uncertainties and events around the world, such as epidemics and pandemics, including the spread of infectious illness or other public health issues, natural disasters, terrorism and other conflicts, social unrest, political developments, and changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it invests.

A recent outbreak of a virus, named “SARS-CoV-2” (sometimes referred to as the “corona virus” and abbreviated as “COVID-19”), has adversely impacted global commercial activity and has contributed to significant volatility in certain financial markets. There are no comparable recent events in the United States that provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on the economy as a whole and, consequently, the Fund. Accordingly, while there have been proposed, and in some cases enacted, economic stimulus measures aimed at curbing the negative economic impacts to the U.S. and other countries as a result of COVID-19, it cannot be determined at this time whether such stimulus measures will have a stabilizing economic effect.

As a result of these recent market circumstances, the markets for credit instruments are currently experiencing deteriorating conditions that could cause periods of extreme illiquidity and volatility. These conditions may exist for a prolonged period of time and could recur from time to time in the future. Such periods may be subject to market uncertainty and consequent repricing risk that could lead to market imbalances of sellers and buyers, which in turn could result in significant valuation uncertainties in a variety of debt securities and also result in sudden and significant valuation declines in the Fund’s holdings. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Fund’s Common Shares.
**Government Intervention in Financial Markets Risk.** The instability in the financial markets in the recent past led the U.S. government and foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that experienced extreme volatility, and in some cases a lack of liquidity. U.S. federal and state governments and foreign governments, their regulatory agencies or self-regulatory organizations may take additional actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable and on an “emergency” basis with little or no notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions will be suddenly and/or substantially eliminated or otherwise negatively implicated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies.

**Credit and Below Investment Grade Securities Risk.** Credit risk is the risk that an issuer or counterparty will fail to pay its obligations to the Fund when they are due. If an investment’s issuer or counterparty fails to pay interest or otherwise fails to meet its obligations to the Fund, the Fund’s income might be reduced and the value of the investment might fall or be lost entirely. The values of securities also may decline for a number of other reasons that relate directly to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. Credit risk of a security may change over time, and securities which are rated by rating agencies may be subject to downgrade, which may have an indirect impact on the market price of securities.

Below investment grade securities are securities rated below “BBB-” by S&P or Fitch, or below “Baa3” by Moody’s, or comparably rated by another NRSRO or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. High yield securities are often unsecured and subordinated to other creditors of the issuer. The market values for high yield securities tend to be very volatile, and these securities are generally less liquid than investment grade securities. For these reasons, an investment in the Fund is subject to the following specific risks: (i) increased price sensitivity to changing interest rates and to a deteriorating economic environment; (ii) greater risk of loss due to default or declining credit quality; (iii) adverse company specific events more likely to render the issuer unable to make interest and/or principal payments; (iv) negative perception of the high yield market which may depress the price and liquidity of high yield securities; (v) volatility; and (vi) illiquidity.

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund’s ability to dispose of a particular security. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these securities may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded.

**Debt Securities Risk.** In addition to certain of the other risks described herein such as interest rate risk and credit risk, debt securities generally also are subject to the following risks:

- **Redemption Risk**—Debt securities sometimes contain provisions that allow for redemption in the event of tax or security law changes in addition to call features at
the option of the issuer. In the event of a redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return.

- **Extension Risk**—This is the risk that if interest rates rise, repayments of principal on certain debt securities, including, but not limited to, floating rate loans, may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result.

- **Liquidity Risk**—Certain debt securities may be substantially less liquid than many other securities, such as U.S. Government securities or common shares or other equity securities.

- **Spread Risk**—Wider credit spreads and decreasing market values typically represent a deterioration of the debt security’s credit soundness and a perceived greater likelihood or risk of default by the issuer.

- **Limited Voting Rights**—Debt securities typically do not provide any voting rights, except in some cases when interest payments have not been made and the issuer is in default. Even in such cases, such rights may be limited to the terms of the debenture or other agreements.

- **Prepayment/Reinvestment Risk**—Many types of debt securities, including floating rate loans, may reflect an interest in periodic payments made by borrowers. Although debt securities and other obligations typically mature after a specified period of time, borrowers may pay them off sooner. The effect of prepayments on the price of a security may be difficult to predict and may increase the security’s price volatility. Income from the Fund’s portfolio may decline when the Fund invests the proceeds from investment income, sales of portfolio securities or matured, traded or called debt obligations. A decline in income received by the Fund from its investments is likely to have a negative effect on the dividend levels and market price, NAV and/or overall return of the Common Shares.

**Corporate Debt Obligations Risk.** The market value of corporate debt obligations generally may be expected to rise and fall inversely with interest rates. The market value of corporate debt obligations also may be affected by factors directly related to the issuer, such as investors’ perceptions of the creditworthiness of the issuer, the issuer’s financial performance, perceptions of the issuer in the marketplace, performance of management of the issuer, the issuer’s capital structure and use of financial leverage and demand for the issuer’s goods and services. There is a risk that the issuers of corporate debt may not be able to meet their obligations on interest and/or principal payments at the time called for by an instrument.

**Senior Loan Risk.** Senior Loans are subject to the risk of payment defaults of scheduled interest or principal. Such payment defaults would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the NAV of the Fund. Similarly, a sudden and significant increase in market interest rates may increase the risk of payment defaults and cause a decline in the value of these investments and in the Fund’s NAV. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of Senior Loans and other debt obligations, impairing the Fund’s NAV. If a borrower under a Senior Loan defaults or goes into bankruptcy, the Fund may recover only a fraction of what is owed on the Senior Loan or nothing at all.

Senior Loans are structured as floating rate instruments in which the interest rate payable on the obligation fluctuates with interest rate changes. As a result, the yield on Senior Loans will generally decline in a falling interest rate environment, causing the Fund to experience a reduction in the income it receives from a Senior Loan. In addition, the market value of Senior Loans may fall in a declining interest rate environment and may also fall in a rising interest rate environment if there is a lag between the rise in interest rates and the reset.
Although the Senior Loans in which the Fund will invest will be secured by collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal. In the event of a decline in the value of the already pledged collateral, if the terms of the Senior Loan do not require the borrower to pledge additional collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower’s obligations under the Senior Loans. Senior Loans that are under-collateralized involve a greater risk of loss. In the event of the bankruptcy or insolvency of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. To the extent that a Senior Loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose some or all of its value in the event of the bankruptcy or insolvency of the borrower.

If a borrower defaults on a collateralized Senior Loan, the Fund may receive assets other than cash or securities in full or partial satisfaction of the borrower’s obligation under the Senior Loan. Those assets may be illiquid, and the Fund might not be able to realize the benefit of the assets for legal, practical or other reasons.

Some Senior Loans are subject to the risk that a court, pursuant to equitable subordination or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, such as the Fund. Such court action could under certain circumstances include invalidation of Senior Loans. If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Fund may be adversely affected.

The Fund may acquire Senior Loans through participations or assignments. The purchaser of a participation typically succeeds to all the rights and obligations of the participating institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser’s rights can be more restricted than those of the participating institution, and the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral.

**Interest Rate Risk.** Generally, when market interest rates rise, prices of debt securities fall, and vice versa. Interest rate risk is the risk that the debt securities in the Fund’s portfolio will decline in value because of increases in market interest rates. This risk may be greater in the current market environment because, as of the date of this prospectus, certain interest rates are at or near historic lows. Therefore, there is a risk that interest rates will rise, which will likely cause the Fund’s debt security prices to fall.

**Seven-Year Term Risk.** The Fund intends to terminate on or about the Termination Date. Because the assets of the Fund will be liquidated in connection with the termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. In particular, the Fund’s portfolio may still have significant remaining average maturity and duration, and large exposures to lower-quality credits, as the Termination Date approaches, and if interest rates are high (and the value of lower-quality fixed-income securities consequently low) at the time the Fund needs to liquidate its assets in connection with the termination, the losses due to portfolio liquidation may be significant. Moreover, as the Fund approaches the Termination Date, its portfolio composition may change as more of its portfolio holdings are called or sold, which may cause the returns to decrease and the NAV of the Common Shares to fall. Rather than reinvesting the proceeds of matured, called or sold securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower yielding securities or hold the proceeds in cash, which may adversely affect its performance.
Because the Fund will invest in below investment grade securities (which are commonly referred to as “junk” or “high yield” securities), it may be exposed to the greater potential for an issuer of its securities to default, as compared to a fund that invests solely in investment grade securities. As a result, should a Fund portfolio holding default, this may significantly reduce net investment income and, therefore, Common Share dividends, and also may prevent or inhibit the Fund from fully being able to liquidate its portfolio at or prior to the Termination Date.

The Fund’s investment objective and policies are not designed to return to investors who purchase Common Shares in this offering their initial investment on the Termination Date. When terminated, the Fund’s final distribution will be based upon its NAV at the end of the term and such initial investors and any investors that purchase Common Shares after the completion of this offering may receive more or less than their original investment.

**Subordinated Debt Instruments Risk**. Issuers of subordinated loans and other subordinated debt instruments in which the Fund may invest usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, the subordinated loans or other subordinated debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund is entitled to receive payments in respect of subordinated loans or other subordinated debt instruments in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an issuer, holders of debt instruments ranking senior to the subordinated loan or other debt instrument in which the Fund invests would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying such senior creditors, such issuer may not have any remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with subordinated loans or other subordinated debt instruments in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant issuer.

**Shareholder Activism Risk**. Shareholder activism could take many forms, including making public demands that the Fund consider certain strategic alternatives, engaging in public campaigns to attempt to influence the Fund’s governance and/or management, and commencing proxy contests to attempt to elect the activists’ representatives or others to the Fund’s Board of Trustees or seeking a tender offer or liquidation of the Fund. Shareholder activism could result in substantial costs and divert management’s and the Fund’s Board’s attention and resources from its business.

**Management Risk and Reliance on Key Personnel**. The Fund is subject to management risk because it is an actively managed portfolio. The Advisor will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

In addition, implementation of the Fund’s investment strategy depends upon the continued contributions of certain key employees of the Advisor, some of whom have unique talents and experience and would be difficult to replace.

**Other Risks Associated with Loans**. Investments in loans (including loans other than Senior Loans) are generally subject to the same risks as investments in other types of debt obligations, including, among others, credit risk, interest rate risk, prepayment risk, and extension risk. In addition, in many cases loans are subject to the risks associated with below investment grade securities.

- **Interest Rate and Interest Rate Benchmarks**. The interest rates on floating rate loans typically adjust only periodically. Accordingly, adjustments in the interest rate payable under a loan may trail prevailing interest rates significantly, especially if there are limitations placed on the amount the interest rate on a loan may adjust in a given period.
• **Valuation and Liquidity.** Investments in loans may be difficult to value and may be illiquid.

• **Equity Securities.** The acquisition of equity securities (e.g., common stock, preferred stock and securities convertible into common stock) may generally be incidental to the Fund’s purchase of a loan. Equity securities are subject to market risks and the risks of changes to the financial condition of the issuer, and fluctuations in value.

• **Restrictive Loan Covenants Risk.** Borrowers must comply with various restrictive covenants that may be contained in loan agreements. They may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the borrower to maintain specific financial ratios, and limits on total debt.

• **Settlement Risk.** Transactions in many loans settle on a delayed basis, and the Fund may not receive the proceeds from the sale of such loans for a substantial period after the sale.

• **Other Legal Risks.** Recent case law has cast doubt on the ability of a purchaser of a loan, such as the Fund, to charge the same rate of interest as an originating entity after the loan has been sold by the originating entity.

**Second Lien Loan Risk.** A second lien loan may have a claim on the same collateral pool as the first lien or it may be secured by a separate set of assets. Second lien loans are typically secured by a second priority security interest or lien to or on specified collateral securing the borrower’s obligation under the interest. Because second lien loans are second to first lien loans, they present a greater degree of investment risk.

Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale. The priority of the collateral claims of third or lower lien loans ranks below holders of second lien loans and so on. Such junior loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower’s capital structure and possible unsecured or partially secured status, such loans involve a higher degree of overall risk than first lien loans, since cash flow of the borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to higher priority secured obligations of the borrower.

**LIBOR Risk.** The terms of many investments, financings or other transactions to which the Fund may be a party have been historically tied to the London Interbank Offered Rate, or “LIBOR.” LIBOR is the offered rate at which major international banks can obtain wholesale, unsecured funding, and LIBOR may be available for different durations (e.g., 1 month or 3 months) and for different currencies. In July 2017, the Financial Conduct Authority, the United Kingdom’s financial regulatory body, announced that after 2021 it will cease its active encouragement of banks to provide the quotations needed to sustain LIBOR. That announcement suggests that LIBOR may cease to be published after that time. Various financial industry groups have begun planning for that transition, but there are obstacles to converting certain securities and transactions to a new benchmark. Transition planning is at an early stage, and neither the effect of the transition process nor its ultimate success can yet be known.

**Lender Liability Risk.** A number of U.S. judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Because of the nature of its investments, the Fund may be subject to allegations of lender liability.

**Defaulted and Distressed Securities Risk.** The Fund may invest in securities that may be in default or distressed—i.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. Distressed securities present a substantial risk of future default which may cause the Fund to incur losses, including additional expenses, to the extent it is required to seek recovery upon a default in the payment of principal or interest on those securities.
The Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment on defaulted or distressed securities. The Fund also will be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the defaulted or distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor’s assets, an exchange offer or plan of reorganization involving the defaulted or distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to defaulted or distressed securities held by the Fund, there can be no assurance that the securities or other assets received by the Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made.

The Fund may invest in loans of borrowers that are experiencing, or are likely to experience, financial difficulty. These loans are subject to greater credit and liquidity risks than other types of loans. In addition, the Fund can invest in loans of borrowers that have filed for bankruptcy protection or that have had involuntary bankruptcy petitions filed against them by creditors. A bankruptcy proceeding or other court proceeding could delay or limit the ability of the Fund to collect the principal and interest payments on that borrower’s loans or adversely affect the Fund’s rights in collateral relating to a loan.

Leverage Risk. Any senior securities issued by the Fund will have seniority over the Common Shares and may be secured by the assets of the Fund. The use of leverage by the Fund can magnify the effect of any losses. Leverage involves risks and special considerations for Common Shareholders including:

- the likelihood of greater volatility of NAV and market price of the Common Shares than a comparable portfolio without leverage;
- the risk that fluctuations in interest rates on borrowings and other associated costs of leverage will reduce the return to the Common Shareholders or will result in fluctuations in the dividends paid on the Common Shares;
- the effect of leverage in a declining market, which is likely to cause a greater decline in the NAV of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares; and
- when the Fund uses certain types of leverage, the investment advisory fee payable to the Advisor will be higher than if the Fund did not use leverage.

There is no assurance that a leveraging strategy will be successful.

The funds borrowed pursuant to a leverage borrowing program (such as a credit line), or obtained through the issuance of Preferred Shares, constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. Certain types of leverage may result in the Fund being subject to covenants relating to asset coverage and Fund composition requirements. Generally, covenants to which the Fund may be subject include affirmative covenants, negative covenants, financial covenants, and investment covenants.

The Fund also may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the Preferred Shares or other senior securities issued by the Fund.

While the Fund may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and NAV associated with leverage, there can be no assurance that the Fund will actually reduce leverage in the future or that any reduction, if undertaken, will benefit the Common Shareholders.
Non-U.S. Securities Risk. The Fund may invest a portion of its assets in securities of non-U.S. issuers. Investing in securities of non-U.S. issuers, which are generally denominated in non-U.S. currencies, may involve certain risks not typically associated with investing in securities of U.S. issuers.

Loans involving foreign borrowers may involve risks not ordinarily associated with exposure to loans to U.S. entities and individuals. The foreign lending industry may be subject to less governmental supervision and regulation than exists in the U.S.; conversely, foreign regulatory regimes applicable to the lending industry may be more complex and more restrictive than those in the U.S., resulting in higher costs associated with such investments, and such regulatory regimes may be subject to interpretation or change without prior notice to investors, such as the Fund. In addition, to the extent that investments are made in a limited number of countries, events in those countries will have a more significant impact on the Fund. Loans to foreign entities and individuals may be subject to risks of increased transaction costs, potential delays in settlement or unfavorable differences between the U.S. economy and foreign economies.

Emerging Markets Risk. Investing in emerging market countries, as compared to foreign developed markets, involves substantial additional risk due to more limited information about the issuer and/or the security (including limited financial and accounting information); higher brokerage costs; different accounting, auditing and financial reporting standards; less developed legal systems and thinner trading markets; the possibility of currency blockages or transfer restrictions; an emerging market country’s dependence on revenue from particular commodities or international aid; and the risk of expropriation, nationalization or other adverse political or economic developments.

Foreign Currency Risk. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of the Fund’s investments.

Common Stock and Warrants Risk. The Fund may hold common stocks and warrants to purchase common stocks. Common stocks and warrants have a subordinate claim on an issuer’s assets as compared with debt securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock or warrant held by the Fund. Common stock and warrant 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 rising interest rates, as the cost of capital rises and borrowing costs increase. The value of the common stocks and warrants in which the Fund may invest will be affected by changes in the stock markets generally, which may be the result of domestic or international political or economic news, changes in interest rates or changing investor sentiment. Common stock and warrant risk will affect the Fund’s NAV per share, which will fluctuate as the value of the securities held by the Fund changes.

Liquidity Risk. Liquidity risk is the risk that the Fund may invest in securities that trade in lower volumes and may be less liquid than other investments or that the Fund’s investments may become less liquid in response to market developments or adverse investor perceptions. When there is no willing buyer and investments cannot be readily sold or closed out, the Fund may have to sell an investment at a lower price than the price at which the Fund is carrying the investments or may not be able to sell the investments at all, each of which would have a negative effect on the Fund’s performance and may cause the Fund to hold an investment longer than the Advisor would otherwise determine. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions (e.g., if interest rates rise or fall significantly, if there is significant inflation or deflation, increased selling of debt securities generally across other funds, pools and accounts, changes in investor perception, or changes in government intervention in the financial markets) independent of any specific adverse changes in the conditions of a particular issuer. In such cases, shares of the Fund, due to the difficulty in purchasing and selling such securities or instruments, may decline in value or the Fund may be unable to achieve its
desired level of exposure to a certain issuer or sector. It may be more difficult for the Fund to determine a fair value of an illiquid investment than those of more liquid comparable investments.

Risks of Investing in Derivative Transactions. Investing in derivative transactions has risks, including the imperfect correlation between the value of such instruments and the underlying asset, rate or index, which creates the possibility that the loss on such instruments may be greater than the gain in the value of the underlying asset, rate or index; the loss of principal; the possible default of the other party to the transaction; and illiquidity of the derivative investments. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding, or may not recover at all. Certain of the derivative investments in which the Fund may invest may, in certain circumstances, give rise to a form of financial leverage, which may magnify the risk of owning such instruments. The ability to successfully use derivative investments depends on the ability of the Advisor to predict pertinent market movements, which cannot be assured.

Swaps Risk. 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 specified securities, indexes, reference rates, currencies or other instruments. Swap agreements are particularly subject to counterparty credit, liquidity, valuation, correlation and leverage risk. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected.

Total Return Swaps Risk. Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying asset(s), which may include securities, derivatives or indices, during the specified period in return for payments equal to a fixed or floating rate of interest or the total return from other underlying asset(s). The Fund anticipates that, under its total return swaps, if any, it will pay the counterparty a regular, set payment at an agreed rate of return and, in return, will receive a payment which is equal to the performance of the underlying assets. In the event that the performance of the relevant assets is less than the agreed rate, the Fund will be required to make further payments to the total return swap counterparty in respect of such shortfalls. The Fund will not be able to replicate exactly the performance of the relevant underlying assets because the total return generated by the Fund’s investment in a total return swap will be reduced by certain costs and expenses. In addition, total return swaps may effectively add leverage to the Fund’s portfolio because the Fund would be subject to investment exposure on the full notional amount of the swap.

Credit Default Swaps Risk. The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract, provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or “par value,” of the reference obligation through either physical settlement or cash settlement. The Fund may be either the buyer or seller in a credit default swap transaction. If the Fund is a buyer and no event of default occurs, the Fund will have made a series of periodic payments and recover nothing of monetary value. However, if an event of default occurs, the Fund (if the buyer) will receive the full notional value of the reference obligation through a cash payment in exchange for the asset or, alternatively, a cash payment representing the difference between the expected recovery rate and the full notional value. As a seller, the Fund receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years, provided that there is no event of default.
**Unrated Securities Risk.** Unrated securities (which are not rated by a rating agency) may be less liquid than comparable rated securities and involve the risk that the Advisor may not accurately evaluate the security’s comparative credit rating and value. To the extent that the Fund invests in unrated securities, the Fund’s success in achieving its investment objective may depend more heavily on the creditworthiness analysis by the Advisor than if the Fund invested exclusively in rated securities.

**Valuation Risk.** When market quotations are not readily available or are deemed to be unreliable, the Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board of Trustees. Fair value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset.

**Market Disruption and Geopolitical Risk.** Various market risks can affect the price or liquidity of an issuer’s securities in which the Fund may invest. Returns from the securities in which the Fund invests may underperform returns from the various general securities markets. During periods of severe market stress, it is possible that the market for certain investments held by the Fund, such as high yield bonds and loans, may become highly illiquid. In such an event, the Fund may find it difficult to sell the investments it holds, and, for those investments it is able to sell in such circumstances, the sale price may be significantly lower than, and the trade settlement period may be longer than, anticipated.

Markets may, in response to governmental actions or intervention, political, economic or market developments, or other external factors, experience periods of high volatility and reduced liquidity. During those periods, the Fund may have to sell securities at times when it would otherwise not do so, and potentially at unfavorable prices.

**Credit Rating Agency Risk.** Credit ratings are determined by credit rating agencies such as S&P, Moody’s and Fitch, and are only the opinions of such entities. Any shortcomings or inefficiencies in credit rating agencies’ processes for determining credit ratings may adversely affect the credit ratings of securities held by the Fund and, as a result, may adversely affect those securities’ perceived or actual credit risk.

**Senior Loan Agent Risk.** Senior Loans generally are negotiated between a borrower and several financial institution lenders represented by one or more lenders acting as agent of all the lenders. A financial institution’s employment as an agent under a Senior Loan might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent would generally be appointed to replace the terminated agent, and assets held by the agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated agent for the benefit of the Fund were determined to be subject to the claims of the agent’s general creditors, the Fund might incur certain costs and delays in realizing payment on a Senior Loan or loan participation and could suffer a loss of principal and/or interest.

**Inflation/Deflation Risk.** Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of the Fund’s portfolio.

**Duration Risk.** Duration is the sensitivity, expressed in years, of the price of a fixed income security to changes in the general level of interest rates (or yields). Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations.
Illiquid/Restricted Securities Risk. The Fund may invest in securities that, at the time of investment, are illiquid (determined using the SEC’s standard applicable to registered investment companies, i.e., securities that cannot be disposed of by the Fund within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities). The Fund may also invest in restricted securities. Investments in restricted securities could have the effect of increasing the amount of the Fund’s assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase these securities. Illiquid and restricted securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. Illiquid and restricted securities are also more difficult to value, especially in challenging markets. Investment of the Fund’s assets in illiquid and restricted securities may restrict the Fund’s ability to take advantage of market opportunities.

Potential Conflicts of Interest Risk. The Advisor and the portfolio managers have interests which may conflict with the interests of the Fund. In particular, the Advisor advises other investment funds or accounts with the same or substantially similar investment objective(s) and strategies as the Fund. As a result, the Advisor and the Fund’s portfolio managers may devote unequal time and attention to the management of the Fund and those other funds and accounts, and may not be able to formulate as complete a strategy or identify equally attractive investment opportunities as might be the case if they were to devote substantially more attention to the management of the Fund. The Advisor and the Fund’s portfolio managers may identify a limited investment opportunity that may be suitable for multiple funds and accounts, and the opportunity may be allocated among these several funds and accounts, which may limit the Fund’s ability to take full advantage of the investment opportunity. Additionally, transaction orders may be aggregated for multiple accounts for purposes of execution, which may cause the price or brokerage costs to be less favorable to the Fund than if similar transactions were not being executed concurrently for other accounts.

There is no guarantee that the policies and procedures adopted by the Advisor and the Fund will be able to identify or mitigate the conflicts of interest that arise between the Fund and any other investment funds or accounts that the Advisor may manage or advise from time to time.

Anti-Takeover and Other Provisions in the Declaration and By-Laws. The Fund’s Declaration and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares.

In addition, the Declaration contains provisions governing the bringing of claims or demands by shareholders against the Fund, including a forum selection provision and the waiver of jury trials to the fullest extent permitted by law. These provisions could have the effect of discouraging suits by shareholders or making them more costly to bring. If a demand is rejected in accordance with the Declaration, the complaining shareholders will be responsible, jointly and severally, for the costs and expenses (including attorneys’ fees) incurred by the Fund in connection with the consideration of the demand under a number of circumstances. In addition, if a court determines that a derivative action was made without reasonable cause or for an improper purpose, or if a derivative or direct action is dismissed on the basis of a failure to comply with the procedural provisions relating to shareholder actions as set forth in the Declaration, or if a direct action is dismissed by a court for failure to state a claim, the shareholders bringing the action may be jointly and severally responsible for the Fund’s costs, including attorneys’ fees.

The provisions of the Declaration provide that any direct or derivative action commenced by a shareholder must be brought only in the U.S. District Court for the District of Massachusetts (Boston Division) or if any such action may not be brought in that court, then in the Business Litigation Session of Suffolk Superior Court in Massachusetts (the “Chosen Courts”). Except as prohibited by applicable law, if a
shareholder commences an applicable action in a court other than a Chosen Court, then such shareholder may be obligated to reimburse the Fund and any Trustee or officer of the Fund made party to such proceeding for the costs and expenses (including attorneys’ fees) incurred in connection with any successful motion to dismiss, stay or transfer of the action. The Declaration also provides that any shareholder bringing an action against the Fund waives the right to trial by jury to the fullest extent permitted by law.

The provisions of the Declaration, any By-laws of the Fund, including the procedures applicable to derivative claims, Chosen Courts, and waiver of jury trial, and any contract or agreement entered into by the Fund governed by applicable state law do not affect, waive or limit the rights of any shareholder with respect to any claims arising under any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the 1940 Act, or any rule, regulation or order of the Securities and Exchange Commission thereunder. The provisions regarding Chosen Courts and waiver of jury trials limit a shareholder’s right to bring claims against the Fund in a court a shareholder might deem preferable. A court may not choose to enforce these provisions. See “Certain Provisions in the Declaration of Trust and By-Laws.”
SUMMARY OF FUND EXPENSES

The purpose of the table and the example below is to help Common Shareholders understand all fees and expenses that they will bear directly or indirectly. Expenses borne by the Fund are borne, indirectly, by Common Shareholders. The expenses shown in the table are based on estimated amounts for the current fiscal year.

The table assumes that the Fund issues 11,250,000 Common Shares and utilizes leverage through the use of bank borrowings in an amount equal to 30% of the Fund’s Managed Assets (after its utilization). The table shows Fund expenses as a percentage of $225,000,000 in net assets attributable to Common Shares. The “Other expenses” shown in the table are based on estimated amounts for the current fiscal year. The Fund’s actual expenses may vary from the estimated expenses shown in the table and, all other things being equal, will increase as a percentage of net assets attributable to Common Shares if the Fund issues less than 11,250,000 Common Shares.

Shareholder Transaction Expenses

Sales load paid by Common Shareholders (as a percentage of offering price) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . None(1)
Offering expenses borne by Common Shareholders (as a percentage of offering price) . . . . . . . . . . . . . . . . . . . . . . . . None(2)
Dividend reinvestment plan fees. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . None(3)

Percentage of Net Assets Attributable to Common Shares(4)

Annual Expenses
Management fees(5) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 1.93%
Interest on borrowed funds(6) . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 0.64%
Other expenses . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 0.19%
Total annual expenses. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 2.76%

(1) The Advisor, and not the Fund, has agreed to pay from its own assets compensation of $0.40 per Common Share to the Underwriters in connection with this offering. See “Underwriters.”
(2) The Advisor, and not the Fund, has agreed to pay from its own assets all organizational expenses of the Fund and all offering costs associated with this offering, which are estimated to be $      in the aggregate. The Fund is not obligated to repay any such organizational expenses or offering costs paid by the Advisor.
(3) Common Shareholders will pay brokerage charges if they direct Computershare Trust Company, N.A., as agent for the Common Shareholders, to sell their Common Shares held in a dividend reinvestment account.
(4) This table assumes the Fund’s use of leverage as described herein. The net assets attributable to Common Shares is calculated by deducting the assumed amount of leverage to be used by the Fund from Managed Assets.
(5) Pursuant to an investment management agreement between the Advisor and the Fund, the Fund has agreed to pay a fee for the services and facilities provided by the Advisor at the annual rate of 1.35% of Managed Assets. If the Fund uses leverage in the amount equal to 30% of the Fund’s Managed Assets (after the issuance of leverage), the Fund’s management fee would be 1.93% of net assets attributable to Common Shares.
(6) Interest on borrowed funds is based upon the assumed borrowing of $96,000,000 at an estimated annual interest rate of 1.50% (based on such assumed borrowing). This amount reflects the assumption that there will not be any additional fees payable by the Fund under the assumed borrowing.

Example

Investors would pay the following expenses on a $1,000 investment, assuming (i) a 5% annual return; (ii) the Fund issues 11,250,000 Common Shares; (iii) total annual expenses of 2.76% of net assets attributable to Common Shares in years 1 through 7; and (iv) reinvestment of all dividends and distributions at NAV.

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$28</td>
<td>$86</td>
<td>$146</td>
<td>$209</td>
<td></td>
</tr>
</tbody>
</table>

The example should not be considered a representation of future expenses. Actual expenses may be greater or less than those shown. The Fund’s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.
THE FUND

First Trust High Yield Opportunities 2027 Term Fund (the “Fund”) is a newly organized, diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund was organized on April 24, 2020, as a Massachusetts business trust pursuant to a Declaration of Trust (the “Declaration”). As a newly organized entity, the Fund has no operating history. The Fund’s principal office is located at 120 East Liberty Drive, Wheaton, Illinois 60187, and its telephone number is (630) 765-8000. An investment in the Fund involves certain risks and special considerations. See “Risks.”

USE OF PROCEEDS

The net proceeds of the offering of the Fund’s common shares of beneficial interest (the “Common Shares”) will be approximately $ (if the underwriters (the “Underwriters”) exercise the over-allotment option in full). First Trust Advisors L.P. (“First Trust” or the “Advisor”), and not the Fund, has agreed to pay all of the Fund’s organizational expenses and all offering costs associated with this offering, and the Fund is not obligated to repay any such organizational expenses or offering costs paid by the Advisor. The Fund will invest the net proceeds of the offering in accordance with the Fund’s investment objective and policies as stated below. The Fund expects it will be able to invest substantially all of the net proceeds in securities that meet the Fund’s investment objective and policies within 45 to 60 days after completion of the offering. Pending such investment, it is anticipated that the proceeds will be invested in cash or cash equivalents.

PORTFOLIO HOLDINGS DISCLOSURE

After the invest-up period and prior to the wind-down period, under normal market conditions, the Fund currently intends to disclose on its website (www.ftportfolios.com) its portfolio holdings on a daily basis.

THE FUND’S INVESTMENTS

Investment Objective

The Fund’s investment objective is to provide current income. There can be no assurance that the Fund will achieve its investment objective or that the Fund’s investment strategies (as described below) will be successful.

The Fund intends to liquidate and distribute substantially all of its net assets to shareholders on or about August 1, 2027 (the “Termination Date”).

Unless otherwise specified, the investment policies and limitations of the Fund are not considered to be fundamental by the Fund and can be changed without a vote of the holders of the Common Shares (“Common Shareholders”) upon 60 days’ prior written notice to shareholders. The Fund’s investment objective and certain investment restrictions specifically identified as such in the Statement of Additional Information (the “SAI”) are considered fundamental and may not be changed without approval by holders of a “majority of the outstanding voting securities” of the Fund, as defined in the Investment Company Act of 1940, as amended (the “1940 Act”), which includes Common Shares and preferred shares of beneficial interest of the Fund (“Preferred Shares”), if any, voting together as a single class, and the holders of the outstanding Preferred Shares voting as a single class. As defined in the 1940 Act, when used with respect to particular shares of the Fund, a “majority of the outstanding voting securities” 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.

Investment Policies and Strategies

Under normal market conditions, the Fund will seek to achieve its investment objective by investing at least 80% of its Managed Assets (as defined below) in high yield debt securities of any maturity that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. Below investment grade securities are commonly referred to as “junk bonds” or “junk securities”. High yield debt securities include U.S. and non-U.S. corporate debt obligations (such as bonds and notes issued by corporations and other business entities) and senior, secured floating rate loans (“Senior Loans”) (as well as other types of instruments described in this prospectus and the SAI and derivatives that provide comparable economic exposure to the corporate debt market).

The Fund’s investments may include securities of issuers located in countries considered to be emerging markets. Investments in such emerging market securities entail additional risks. See “Risks—Principal Risks—Emerging Markets Risk.” The Fund’s investments also may include defaulted or distressed securities—i.e., securities of companies whose financial condition is troubled
or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. See “Risks— Principal Risks—Defaulted and Distressed Securities Risk.” For a further description of the Fund’s potential principal investments, see “—Portfolio Composition” below.

In addition, under normal market conditions:

- The Fund may invest up to 20% of its Managed Assets in (i) investment grade corporate debt obligations, (ii) U.S. and non-U.S. government debt securities, (iii) warrants and equity securities, including common stock and other equity securities acquired in connection with the restructuring of the debt of an issuer, the reorganization of a Senior Loan or as part of a package of securities acquired together with the Senior Loans of an issuer, and (iv) investment companies.

- The Fund will invest no more than 20% of its Managed Assets in corporate debt obligations that, at the time of purchase, either are rated “CCC+” or lower by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business ("S&P"), or Fitch Ratings, a part of the Fitch Group (“Fitch”), or “Ca1” or lower by Moody’s Investor Services, Inc. (“Moody’s”), or comparably rated by another nationally recognized statistical rating organization (“NRSRO”) or, if unrated, determined by the Advisor to be of comparable quality. For purposes of this investment policy, the highest available rating will be used. See “Risks—Principal Risks—Credit and Below Investment Grade Securities Risk.”

- The Fund will invest no more than 25% of its Managed Assets in any single industry in the corporate debt market.

- The Fund will not invest more than 5% of its Managed Assets in securities issued by a single issuer, other than securities issued by the U.S. government.

The Fund also may use certain credit derivatives to take on additional credit risk and obtain exposure to the high yield corporate debt market. These instruments, if used, will be considered an investment in high yield debt securities for purposes of the Fund’s investment policy to invest, under normal market conditions, at least 80% of its Managed Assets in high yield debt securities that are rated below investment grade at the time of purchase or unrated securities determined by the Advisor to be of comparable quality. The Fund anticipates that total return swaps and credit default swaps will be the primary type of credit derivatives used to gain such exposure to high yield debt securities as part of its investment strategy. See “Risks—Principal Risks—Total Return Swaps Risk” and “Risks—Principal Risks—Credit Default Swaps Risk.” The Fund’s use of total return swaps, credit default swaps and other derivative transactions other than for hedging purposes, as measured by the total notional amount of such instruments, will not exceed 20% of the Fund’s Managed Assets. If the exposure to the underlying instrument of a derivative position of the Fund is negated or offset by another derivative position of the Fund providing exposure to the same underlying instrument, the Fund will include only the net amount of the exposure for purposes of calculating the foregoing limitation. The Fund also may enter into futures contracts and options on futures contracts, and may, but is not required to, use various other derivative transactions to seek to manage the risks of the Fund’s portfolio securities or for other purposes to the extent the Advisor determines that the use of such transactions is consistent with the Fund’s investment objective, policies and applicable regulatory requirements.

During temporary defensive periods, the period in which the net proceeds of the offering of Common Shares are first being invested or the period in which the Fund is addressing its Termination Date (i.e., the “wind-down” period during which the Fund may begin liquidating its portfolio in anticipation of the Termination Date; which period is expected to begin six months prior to the Termination Date), the Fund may deviate from its investment policies and objective. During such periods, the Fund may invest up to 100% of its Managed Assets in cash or short-term investments, including high quality, short-term securities, or may invest in short- or intermediate-term U.S. Treasury securities. There can be no assurance that such techniques will be successful. Accordingly, during such periods, the Fund may not achieve its investment objective.

“Managed Assets” means the average daily gross asset value of the Fund (which includes assets attributable to the Fund’s Preferred Shares, if any, and the principal amount of any borrowings or commercial paper or notes issued by the Fund), minus the sum of the Fund’s accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings of money incurred or of commercial paper or notes issued by the Fund). For purposes of determining Managed Assets, the liquidation preference of the Preferred Shares would not be treated as a liability.

Percentage limitations described in this prospectus are as of the time of investment by the Fund and may be exceeded on a going-forward basis as a result of credit rating downgrades or market value fluctuations of the Fund’s portfolio securities.

**Investment Philosophy and Process**

The investment philosophy for the Advisor’s Leveraged Finance Investment Team is based on the belief that deep fundamental credit analysis performed by a highly experienced credit team, within a risk managed framework, will generate higher absolute and risk-adjusted returns in high yield debt strategies. The team’s core framework is designed around capturing yield and seeking to
avoid loss. This investment philosophy is expressed by the team through an investment process that combines rigorous bottom-up fundamental credit analysis and disciplined portfolio construction. Risk management is a critical component of the entire process and is embedded in both the fundamental credit analysis and portfolio construction.

Fundamental credit analysis involves the evaluation of macro-economy, industry trends, consistency of cash flows, collateral coverage and management quality, among other things. The investment process favors companies that produce relatively stable cash flows through an economic cycle, companies that have an appropriate level of assets backing the debt and companies that have management teams with a sound track record of managing businesses with leveraged balance sheets and a commitment to deleveraging.

The Advisor’s key considerations of portfolio construction include relative value assessment, portfolio diversification, issuer liquidity and continuous monitoring. Each approved investment opportunity is evaluated relative to other opportunities available in the market. This relative value assessment helps ensure the portfolio is positioned in the credits that offer the best return relative to risk. Portfolio diversification is a key component of the portfolio construction process and an important factor in risk management. The investment process seeks to have a properly diversified portfolio across individual issuers and industries. The Advisor’s Leveraged Finance Investment Team believes concentrated issuer or industry positions typically lead to outsized risk and, therefore, the investment team seeks to construct well diversified portfolios. The potential liquidity of each investment opportunity is analyzed prior to purchase. Through fundamental credit analysis, the Advisor’s Leveraged Finance Investment Team can position the Fund’s portfolio in high yield debt securities that the Advisor believes provide the most attractive opportunities in the market.

Fundamental credit analysis involves:

- **Evaluation of Industry Trends:** The Advisor tends to favor industries that are either stable or growing. Moreover, the Advisor intends to invest in issuers or borrowers that it believes have strong positions within a given industry.

- **Management Quality:** The investment process favors companies that have management teams with a sound track record of managing businesses with leveraged balance sheets and a commitment to deleveraging. The Advisor believes strong management teams are typically able to navigate more challenging business conditions or economic environments in a nimble fashion. Additionally, the industry analyst will often speak with management teams in order to fully understand management’s strategy and goals regarding the capital structure.

- **Asset Value:** The investment process evaluates the enterprise value, any collateral backing the investment opportunity and the priority of claims on that collateral within the entire capital structure. Importantly, the enterprise value and collateral value are assessed not only in a benign credit environment when valuations are highest, but assuming the company or collateral will be monetized in a recession when valuations are typically at their lowest. The entire capital structure is analyzed to determine the level of liabilities that may have a claim on the collateral ahead of the debt that is under review. The investment process favors companies that have strong collateral value so that a positive outcome may be achieved even in a situation where cash flows deteriorate.

- **Consistency of Cash Flows:** The investment process favors companies that produce relatively stable cash flows through an economic cycle. The Advisor’s Leveraged Finance Investment Team believes highly cyclical companies or capital intensive industries face a high hurdle. A company’s cash flow is stressed to determine how resilient the company would be in a downside case.

The Advisor’s key considerations of portfolio construction include:

- **Relative Value:** The relative value assessment is an ongoing process, as market prices and the Advisor’s credit outlooks change over time. While analysts are focused on individual industries, the portfolio managers of the Fund aggregate this information and make decisions across the entire portfolio, so as to continually seek to own the best relative value opportunities in the market. The industry analyst will assign an internal rating to the asset being analyzed. The internal rating has two components, a credit rating and a relative value rating. The internal ratings system assists in the fundamental risk assessment by standardizing the risk level of credits across issuers and industries. Credits are scored from 1 through 6, with 1 the strongest fundamental business profile and 6 the weakest fundamental business profile.

- **Diversification:** This is a key risk control for any portfolio managed by the Advisor’s Leveraged Finance Investment Team. The portfolio managers seek to ensure the Fund is properly diversified across industries and issuers.

- **Liquidity:** Within the high yield debt markets, there can be significant differences in the level of secondary market liquidity between individual bonds and loans. The portfolio managers, in conjunction with the traders, will assess the liquidity of an issue prior to purchase to ensure the appropriate liquidity is maintained in the Fund.
Seven-Year Term and Final Distribution

The Fund intends, on or about the Termination Date, to cease its investment operations, liquidate its portfolio (to the extent possible), retire or redeem its leverage facilities, and distribute all its liquidated net assets to Common Shareholders of record. However, if the Board of Trustees determines it is in the best interest of the shareholders to do so, upon provision of at least 60 days’ prior written notice to shareholders, the Fund’s term may be extended, and the Termination Date deferred, for one period of up to six months by a vote of the Board of Trustees. In determining whether to extend the Fund’s term beyond the Termination Date, the Board of Trustees may consider the inability to sell the Fund’s assets in a time frame consistent with termination due to lack of market liquidity or other extenuating circumstances. Additionally, the Board of Trustees may determine that market conditions are such that it is reasonable to believe that, with an extension, the Fund’s remaining assets will appreciate and generate income in an amount that, in the aggregate, is meaningful relative to the cost and expense of continuing the operation of the Fund.

The Fund’s liquidating distribution(s) to Common Shareholders will be based upon the Fund’s net asset value (“NAV”) on the Termination Date, and initial investors and any investors that purchase Common Shares after the completion of this offering (particularly if their purchase price differs meaningfully from the original offering price) may receive more or less in such liquidating distribution(s) than the amount of their original investment. The Fund will make a distribution on or about the Termination Date of all cash raised from the liquidation of the Fund’s assets at that time. However, if the Fund is not able to liquidate all of its assets prior to that distribution (for example, because one or more portfolio securities are in workout or receivership on the Termination Date), or to the extent accrued but unpaid interest on the liquidated portfolio securities will be made following such distribution, subsequent to that distribution, the Fund may make one or more additional distributions of any cash received from ultimate liquidation of those assets and from payment of such accrued interest. The Fund expects that the total of such liquidating distributions, including any additional subsequent distributions, will equal the Fund’s NAV on the Termination Date, but the actual total may be more or less than that NAV, depending on the ultimate results of those post-Termination Date asset liquidations.

The Fund’s NAV on the Termination Date will depend upon a variety of factors, including the performance of the Fund’s portfolio over the life of the Fund and the amounts of income or gains retained by the Fund that otherwise would have been paid out as income dividends or capital gains distributions over the life of the Fund, and the amount of any taxes paid on such retained amounts.

Interest rates, including yields on below investment grade securities (which are commonly referred to as “junk” or “high yield” securities), tend to vary with maturity. Securities with longer maturities tend to have higher yields than otherwise similar securities having shorter maturities. To the extent the average effective maturity of the Fund’s portfolio shortens as the Fund approaches its Termination Date, shareholders should expect that the average portfolio yield will also fall during such period. Consequently, the Fund’s dividend rate may need to be reduced over time as the yield on portfolio securities declines as they are sold and either not replaced or replaced by lower-yielding securities; and as the portfolio is liquidated prior to and in anticipation of the Termination Date, the Board of Trustees may consider the inability to sell the Fund’s assets in a time frame consistent with termination due to lack of market liquidity or other extenuating circumstances. Additionally, the Board of Trustees may determine that market conditions are such that it is reasonable to believe that, with an extension, the Fund’s remaining assets will appreciate and generate income in an amount that, in the aggregate, is meaningful relative to the cost and expense of continuing the operation of the Fund.

The Fund’s NAV on the Termination Date will depend upon a variety of factors, including the performance of the Fund’s portfolio over the life of the Fund and the amounts of income or gains retained by the Fund that otherwise would have been paid out as income dividends or capital gains distributions over the life of the Fund, and the amount of any taxes paid on such retained amounts.

Portfolio Composition

The Fund’s portfolio may be composed principally of the following investments. Additional description of the Fund’s investment policies and restrictions and additional information about the Fund’s portfolio investments are contained in the SAI. See “Additional Information About the Fund’s Investments and Investment Risks” and “Other Investment Policies and Techniques” in the SAI.

Corporate Debt Obligations. The corporate debt obligations in which the Fund may invest are generally issued by U.S. and non-U.S. companies to borrow money from investors, typically to finance their operations, in exchange for interest payments and repayment of the principal at a set maturity date. These obligations may fund capital improvements, expansions, debt refinancing or acquisitions that require more capital than would ordinarily be available from a single lender.

Corporate debt obligations come in many varieties and may differ in the way that interest is calculated, the amount and frequency of payments, the type of collateral, if any, and the presence of special features (e.g., conversion rights). The Fund’s investments in corporate debt obligations may include, but are not limited to, senior, junior, secured and unsecured bonds, notes and other debt securities. Collateral used for secured debt may include, but is not limited to, real property, machinery, equipment,
accounts receivable, stocks, bonds or notes. Holders of corporate debt obligations, as creditors, have a prior legal claim over
common and preferred stockholders as to both income and assets of the issuer for the principal and interest due to them and may
have a prior claim over other creditors but are generally subordinate to any existing lenders in the issuer’s capital structure. Interest
on corporate debt obligations may be fixed or floating, or such obligations may be zero coupon fixed income securities which pay
no interest. Interest on corporate debt obligations is typically paid semi-annually and is fully taxable to the security holder.

The investment return of corporate debt obligations reflects interest on the security and changes in the market value of the
security. The market value of fixed rate corporate debt obligations will generally rise and fall inversely with interest rates. The
value of intermediate- and longer-term fixed rate corporate debt obligations normally fluctuates more in response to changes in
interest rates than does the value of shorter-term fixed rate corporate debt obligations. The market value of a corporate debt
obligation may be affected by the credit rating of the corporation, the corporation’s performance and perceptions of the corporation
in the marketplace. There is a risk that the issuers of the securities may not be able to meet their obligations on interest or principal
payments at the time called for by an instrument. Corporate debt obligations usually yield more than government or agency bonds
due to the presence of credit risk. See “Risks—Principal Risks—Corporate Debt Obligations Risk.”

**Senior Loans.** Senior Loans are made to U.S. and non-U.S. corporations, partnerships and other business entities which
operate in various industries and geographical regions (i.e., the borrower). Senior Loans are generally secured with specific
collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by unsecured creditors, subordinated
debt holders and stockholders of the borrower. Senior Loans pay interest at rates which are determined periodically on the basis of
a floating base lending rate, plus a risk premium. Borrowers may obtain Senior Loans to, among other reasons, refinance existing
debt and for acquisitions, dividends, leveraged buyouts and general corporate purposes. The Fund may invest in a Senior Loan by
acquiring in the secondary market participations in, assignments of or novations of a Senior Loan. An assignment involves the sale
of a loan by an existing lender to the Fund and a participation involves the sale of a beneficial interest in a loan by the lender to the
Fund. In an assignment, the Fund becomes a lender of record and a party to the underlying loan agreement; whereas, in a
participation, the Fund purchases only an economic interest in the loan and does not become a party to the underlying loan
agreement.

By purchasing a participation, the Fund acquires some or all of the interest of a bank or other lending institution in a loan to a
borrower. The participations typically will result in the Fund having a contractual relationship only with the lender, not the
borrower. The Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the
lender selling the participation and only upon receipt by the lender of the payments from the borrower. Senior Loans offer the Fund
more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no
assurance that the liquidation of collateral from a secured loan would satisfy the borrower’s obligation, or that the collateral can be
liquidated. Direct debt instruments may involve a risk of loss in case of default or insolvency of the borrower and may offer less
legal protection to the Fund in the event of fraud or misrepresentation. In addition, loan participations involve a risk of insolvency
of the lending bank or other financial intermediary. The markets in Senior Loans are not regulated by federal securities laws or the
SEC. The Senior Loans in which the Fund may invest also may include debtor-in-possession financings pursuant to Chapter 11 of
the U.S. Bankruptcy Code. See “—Debtor-in-Possession Loans” below.

Senior Loans may be rated in the lower rating categories of the established rating services (such as “Ba1” or lower by Moody’s
or “B+” or lower by S&P or Fitch), or may be unrated investments determined to be of comparable quality by the Advisor. If the
NRSROs assign different ratings to the same Senior Loan, the Fund will use the lowest available rating for purposes of its 80%
policy. As in the case of other high yield securities, Senior Loans can be expected to provide higher yields than lower yielding,
higher rated fixed income securities, but may be subject to greater risk of loss of principal and income. There are, however, some
significant differences between Senior Loans and other high yield securities. Senior Loan obligations are frequently secured by
pledges of liens and security interests in the assets of the borrower, and the holders of Senior Loans are frequently the beneficiaries
debt service subordination provisions imposed on the borrower’s bondholders. These arrangements are designed to give Senior
Loan investors preferential treatment over high yield investors in the event of deterioration in the credit quality of the issuer. Even
when these arrangements exist, however, there can be no assurance that the borrowers of the Senior Loans will repay principal and/
or pay interest in full. Senior Loans generally bear interest at rates set at a margin above a generally recognized base lending rate
that may fluctuate on a day-to-day basis, in the case of the prime rate of a U.S. bank, or which may be adjusted on set dates,
typically 30 to 90 days but generally not more than one year. Consequently, the value of Senior Loans held by the Fund may be
expected to fluctuate significantly less than the value of fixed rate high yield instruments as a result of changes in the interest rate
environment; however, the secondary dealer market for certain Senior Loans may not be as well developed as the secondary dealer
market for high yield bonds and, therefore, presents increased market risk relating to liquidity and pricing concerns. See “Risks—
Principal Risks—Senior Loan Risk.”

Many Senior Loans had historically paid interest at rates determined periodically on the basis of the London-Interbank Offered
Rate (LIBOR). See “Risks—Principal Risks—LIBOR Risk.”
**Debtor-in-Possession Loans.** The Fund may invest in debtor-in-possession or “DIP” loans issued by a debtor that has filed for protection under Chapter 11 of the United States Bankruptcy Code. DIP loans are typically working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with immediate cash and ongoing working capital necessary to fund the debtor’s Chapter 11 case through confirmation of a plan or asset sale. DIP loans are approved by the bankruptcy court and are entitled to super priority over all administrative expenses incurred during the bankruptcy and all other claims. Typically, DIP loans are secured by a priming lien with priority over pre-bankruptcy secured debt, a second lien on any encumbered property, and/or a first-priority lien on all of the debtor’s unencumbered assets. Consequently, DIP loans generally must be repaid before other claims in a bankruptcy case. While such loans are generally viewed as less risky than many other types of loans as a result of their seniority in the debtor’s capital structure, their super-priority claim status, and because their terms will have been approved by a bankruptcy court order, the debtor’s reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender’s collateral might be insufficient to repay the DIP loan. See “Risks—Principal Risks—Defaulted and Distressed Securities Risk.”

**Below Investment Grade Securities.** Below investment grade securities are securities rated below “BBB-” by S&P or Fitch, or below “Baa3” by Moody’s, or comparably rated by another NRSRO or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal. The ratings of a rating agency represent its opinion as to the quality of securities it undertakes to rate. Ratings are not absolute standards of quality; consequently, securities with the same maturity, duration, coupon, and rating may have different yields.

If a security owned by the Fund is subsequently downgraded, the Fund will not be required to dispose of such security. If a downgrade occurs, the Advisor will consider what action, including the sale of such security, is in the best interest of the Fund and its Common Shareholders.

Because the risk of default is higher for below investment grade securities than investment grade securities, research and credit analysis will be an especially important part of managing securities of this type. The Advisor will attempt to identify those issuers of below investment grade securities whose financial condition the Advisor believes is adequate to meet future obligations or who have improved or are expected to improve in the future. The Advisor’s analysis focuses on relative values based on such factors as interest or dividend coverage, asset coverage, earnings prospects and the experience and managerial strength of the issuer. See “Risks—Principal Risks—Credit and Below Investment Grade Securities Risk.” The Fund’s investments may include defaulted or distressed securities—i.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. See “Risks—Principal Risks—Defaulted and Distressed Securities Risk.”

**Illiquid and Restricted Securities.** The Fund may invest in securities that, at the time of investment, are illiquid (i.e., securities that cannot be disposed of by the Fund within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities). In the absence of readily available market quotations, the Fund’s Board of Trustees, a committee appointed by the Board of Trustees or a designee of the Board of Trustees will price illiquid investments at a fair value as determined in good faith. Valuing illiquid securities typically requires greater judgment than valuing securities for which there is an active trading market. The market price of illiquid securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of illiquid securities. Investment of the Fund’s assets in illiquid securities may restrict the Fund’s ability to take advantage of market opportunities. The risks associated with illiquid securities may be particularly acute in situations in which the Fund’s operations require cash, including in connection with the Fund’s termination, and could result in the Fund borrowing to meet its short-term needs or incurring losses on the sale of illiquid securities.

The Fund may invest in restricted securities, which are securities that may not be sold to the public without an effective registration statement under the Securities Act of 1933, as amended (the “1933 Act”). The restriction on public sale may make it more difficult to value such securities, limit the Fund’s ability to dispose of them and lower the amount the Fund could realize upon their sale. Because they are not registered, restricted securities may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. See “Risks—Principal Risks—Liquidity Risk.”

**Total Return Swaps.** Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying asset(s), which may include securities, derivatives or indices, during the specified period in return for payments equal to a fixed or floating rate of interest or the total return from other underlying asset(s). The Fund may, for example, enter into total return swap agreements on certain loan indices to gain exposure to high yield debt securities. The Fund also may utilize total return swaps as a component of “synthetic” investments. A “synthetic” investment is comprised of two components that, when combined, replicate or emulate the economic exposure of a third investment. The Fund may use the combination of a total return swap and cash equivalents to replicate or emulate exposure to high yield debt securities. The cash equivalent market value effectively represents the “principal” portion of such “synthetic” exposure, and the total return swap market value (not notional value)
represents the “interest” and/or “return” portion of such exposure. When combined, these two components provide the investment profile of a direct investment in such securities. See “Risks—Principal Risks—Leverage Risk” and “Risks—Principal Risks—Total Return Swaps Risk.”

**Credit Default Swaps.** The “buyer” in a credit default swap contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract, provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or “par value,” of the reference obligation. The Fund may be either the buyer or seller in a credit default swap transaction. If the Fund is a buyer and no event of default occurs, the Fund will have made a series of periodic payments and recovered nothing of monetary value. However, if an event of default occurs, the Fund (if the buyer) will receive the full notional value of the reference obligation through a cash payment in exchange for the asset or, alternatively, a cash payment representing the difference between the expected recovery rate and the full notional value. As a seller, the Fund would receive a fixed rate of income throughout the term of the contract, which typically is between six months and five years, provided that there is no event of default. The Fund currently intends to segregate or earmark assets on the Fund’s records in the form of cash, cash equivalents or liquid securities in an amount equal to the notional value of the credit default swaps of which it is the seller. If such assets are not fully segregated by the Fund, the use of credit default swap transactions could then be considered leverage for purposes of the 1940 Act. If an event of default occurs, the seller must pay the buyer the full notional value of the reference obligation through either physical settlement or cash settlement. Whether or not there is a segregation of assets, the sale of a credit default swap effectively creates leverage and subjects the Fund to risks such as those described under “Risks—Principal Risks—Leverage Risk” and “Risks—Principal Risks—Credit Default Swap Risk.”

**Common Stock and Warrants.** The Fund may hold common stocks and warrants to purchase common stock. Common stock represents an equity ownership interest in a corporation or similar entity, providing voting rights and entitling the holder to a share of the company’s success through dividends and/or capital appreciation. In the event of liquidation, common stockholders have rights to a company’s remaining assets after bondholders, other debtholders and preferred stockholders have been paid in full. Typically, common stockholders are entitled to one vote per share to elect the company’s board of directors (although the number of votes is not always directly proportional to the number of shares owned). Common stockholders also receive voting rights regarding other company matters such as mergers and certain important company policies, such as issuing securities to management. In addition to voting rights, common stockholders sometimes enjoy what are called “preemptive rights.” Preemptive rights allow common stockholders to maintain their proportional ownership in the company in the event that the company issues another offering of stock. This means that common stockholders with preemptive rights have the right but not the obligation to purchase as many new shares of the stock as it would take to maintain their proportional ownership in the company. See “Risks—Principal Risks—Common Stock and Warrants Risk.”

**Other Securities.** New financial products continue to be developed, and the Fund may seek to invest in such products that may be developed to the extent consistent with its investment objective and the regulatory and federal tax requirements applicable to investment companies.

**Short-Term Debt Securities; Temporary Defensive Position; Invest-Up Period.** During the period in which the net proceeds of the offering of Common Shares are being invested, the period in which the Fund’s assets are being liquidated in anticipation of the Fund’s termination, or the periods in which the Advisor determines that it is temporarily unable to follow the Fund’s investment strategy or that it is impractical to do so, the Fund may deviate from its investment strategy and invest all or any portion of its Managed Assets in cash or short-term investments, including high quality, short-term securities, or may invest in short- or intermediate-term U.S. Treasury securities. A determination by the Advisor that it is temporarily unable to follow the 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 Fund’s investment strategy is extremely limited or absent. In such a case, Common Shareholders of the Fund may be adversely affected and the Fund may not pursue or achieve its investment objective. For a further description of these temporary investments, see the SAI under “Investment Policies and Techniques—Portfolio Composition.”

**USE OF LEVERAGE**

The Fund currently intends to use leverage to seek to achieve its investment objective. The Fund initially anticipates that, under normal market conditions, it will employ leverage through borrowings from banks or other financial institutions in an amount equal to approximately 30% of the Fund’s Managed Assets. The Fund does not currently anticipate it will issue Preferred Shares within 12 months of the date of this prospectus. The Fund also may enter into derivative and other transactions that have the economic effect of leverage. Economic leverage exists when the Fund seeks the right to a return on a capital base that exceeds the investment which the Fund has contributed to the instrument seeking a return. This prospectus refers to the combination of such economic leverage and the Fund’s senior securities (as defined under the 1940 Act) as “effective leverage.” Under normal market conditions, the Fund will seek to limit its overall effective leverage to 40% of its Managed Assets.
In general, the Fund is prohibited from engaging in most forms of leverage representing indebtedness unless immediately after the issuance of such leverage the Fund has satisfied the asset coverage requirement with respect to senior securities representing indebtedness prescribed by the 1940 Act—i.e., the value of the Fund’s total assets, less all liabilities and indebtedness not represented by senior securities (for these purposes, “total net assets”), is at least 300% of the senior securities representing indebtedness (effectively limiting the use of leverage through senior securities representing indebtedness to 33 1/3% of the Fund’s total net assets, including assets attributable to such leverage). In addition, the Fund is not permitted to declare any cash dividend or other distribution on its Common Shares unless, at the time of such declaration, this asset coverage requirement is satisfied. The Fund may (but is not required to) cover its commitments under its derivative and other transactions by segregating liquid assets, or by entering into offsetting transactions or owning positions covering its obligations. To the extent these instruments are so covered, they will not be considered “senior securities” under the 1940 Act and therefore will not be subject to the 300% asset coverage requirement of the 1940 Act otherwise applicable to forms of senior securities representing indebtedness used by the Fund. However, the Securities and Exchange Commission (the “SEC”) has proposed a new rule that could further limit or otherwise alter the Fund’s ability to use certain derivative and other transactions. See “Risks—Principal Risks—Risks of Investing in Derivative Transactions.” Moreover, even if such derivative and other transactions of the Fund are covered, they could represent a form of economic leverage and create special risks.

The Fund will seek to use leverage opportunistically and may determine to increase, decrease, or eliminate its use of leverage over time and from time to time based on various considerations, including the yield curve environment, interest rate trends, market conditions and time remaining until the Termination Date. There is no assurance that borrowings or other forms of leverage will in fact be established or be maintained in the future. If and when leverage is used, there is no assurance that the Fund’s leveraging strategies will be successful. The use of leverage will increase the volatility of the performance of the Fund’s investment portfolio and could result in the Fund experiencing greater losses than if leverage were not used. The net proceeds the Fund obtains from the use of leverage will be invested in accordance with the Fund’s investment objective and policies as described in this prospectus. So long as the rate of return, net of applicable Fund expenses, on the investments purchased by the Fund from leverage proceeds exceeds the costs of such leverage to the Fund, the use of leverage should help the Fund to achieve an investment return greater than it would if it were not leveraged, although the use of leverage also may result in losses greater than if the Fund had not used leverage.

Leveraging is a speculative technique and there are special risks and costs involved. See “Risks—Principal Risks—Leverage Risk.” The Fund cannot assure you that the use of leverage, including through borrowings and/or the use of derivatives strategies will result in a higher investment return on the Common Shares, and it may result in losses. When leverage is used, the NAV and market price of the Common Shares and the yield to Common Shareholders will be more volatile. In addition, the leverage costs will be borne immediately by the Common Shareholders and result in a reduction of the NAV of the Common Shares. See “Summary of Fund Expenses.” Any senior securities issued by the Fund will have seniority over the Common Shares and, therefore, have complete priority upon distribution of assets over the Common Shares.

Because the management fees received by the Advisor are based on Managed Assets (which includes assets attributable to the Fund’s borrowings and other forms of leverage, such as the Fund’s derivative instruments), there is a financial incentive for the Advisor to cause the Fund to use leverage, which creates a conflict of interest between the Advisor and the Common Shareholders. See “Risks—Principal Risks—Potential Conflicts of Interest Risk.”

Borrowings. The Declaration authorizes the Fund, without prior approval of the Common Shareholders, to borrow money. It is expected that the Fund’s borrowings, if any, will be made pursuant to a revolving credit facility established with a bank, or a margin loan facility with a prime broker, at a fixed or floating rate. A typical credit facility may contain various covenants that, among other things, could limit the Fund’s ability to pay dividends in certain circumstances, incur additional debt, change its fundamental investment policies and engage in certain transactions, including mergers and consolidations; could limit or prohibit certain investments otherwise contemplated by the Fund’s principal investment strategies; and may require asset coverage ratios in addition to those required by the 1940 Act. The Fund may be required to pledge its assets and to maintain a portion of its assets in cash or high-grade securities, including as a reserve against interest or principal payments and expenses. Only certain of the Fund’s assets may be eligible to be pledged under the terms of a credit facility. Consequently, the Fund may be limited in its ability to draw on the credit facility by the amount of eligible securities the Fund holds in its portfolio and is able to pledge. The Fund expects that any credit facility would have customary covenant and default provisions. Examples of customary covenants include affirmative covenants that may require the Fund to send its annual audited financial report to the lender, negative covenants that may prohibit the Fund from making any amendments to its fundamental policies, financial covenants that may require the Fund to maintain a 3:1 asset coverage ratio, and/or investment covenants that may require the Fund to limit its investment in a particular asset class. There can be no assurance that the Fund will enter into an agreement for a credit facility at all or on terms and conditions representative of the foregoing, or that additional material terms will not apply. In addition, if entered into, any such credit facility may in the future be replaced or refinanced by one or more credit facilities having substantially different terms or by the issuance of Preferred Shares or debt securities. The Fund may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a line of credit.
The Fund also may borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends and the settlement of securities transactions which otherwise might require untimely dispositions of Fund securities.

**Preferred Shares.** Although the Fund does not currently anticipate it will employ leverage through the issuance of Preferred Shares within 12 months after the completion of this offering, it may do so in the future upon the approval of the Board of Trustees. Any issued Preferred Shares would have complete priority upon distribution of assets over the Common Shares. Under the 1940 Act, the Fund would not be permitted to issue Preferred Shares unless immediately after such issuance the value of the Fund’s total assets, less all liabilities and indebtedness not represented by senior securities, was at least 200% of the aggregate amount of senior securities representing indebtedness plus the aggregate of the involuntary liquidation preference of the Preferred Shares. In addition, if the Fund issues Preferred Shares, the 1940 Act prohibits the declaration of any dividend (except a dividend payable in Common Shares of the Fund) or distribution upon the Common Shares of the Fund, or the purchase of any such Common Shares, unless in every such case the Preferred Share class has, at the time of the declaration of any such dividend or distribution or at the time of any such purchase, an asset coverage of at least 200% (as described above) after deducting the amount of such dividend, distribution, or purchase price, as the case may be. The 1940 Act requires that the holders of any Preferred Shares, voting separately as a single class, have the right to elect two Trustees at all times and, if dividends on Preferred Shares shall be unpaid in an amount equal to two full years’ dividends on such Preferred Shares, to elect a majority of the Trustees. The Fund might also be subject to certain restrictions imposed by guidelines of one or more rating agencies that may issue ratings for Preferred Shares issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act.

**Effects of Leverage**

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in the Fund’s portfolio) of -10%, -5%, 0%, 5% and 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by the Fund. See “Risks.”

As assumed in the table below, if the Fund’s leverage through borrowings represent approximately 30% of the Fund’s Managed Assets at an estimated annual interest expense rate of 1.50%, the return generated by the Fund’s portfolio (net of estimated expenses) must exceed 0.45% in order to cover such costs related to the Fund’s borrowings. Of course, these numbers are merely estimates used for illustration. Actual interest expense rates on the leverage will vary frequently and may be significantly higher or lower than the rate estimated above. The information below does not reflect the Fund’s use of certain other forms of economic leverage achieved through the use of other instruments or transactions not considered to be senior securities under the 1940 Act.

<table>
<thead>
<tr>
<th>Assumed Portfolio Total Return (Net of Expenses)</th>
<th>−10%</th>
<th>−5%</th>
<th>0%</th>
<th>5%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Share Total Return</td>
<td>−14.91%</td>
<td>−7.77%</td>
<td>−0.64%</td>
<td>6.49%</td>
<td>13.63%</td>
</tr>
</tbody>
</table>

Common Share total return is composed of two elements: Common Share dividends paid by the Fund (the amount of which is largely determined by the net investment income of the Fund after paying leverage costs) and gains or losses on the value of the securities the Fund owns. As required by SEC rules, the table above assumes that the Fund is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% the Fund must assume that the interest it receives on its investments is entirely offset by losses in the value of those investments.

**RISKS**

**PRINCIPAL RISKS**

Risk is inherent in all investing. The following discussion summarizes the principal risks that you should consider before deciding whether to invest in the Fund. For additional information about the risks associated with investing in the Fund, see “— Other Risks Relating to the Fund” below and “Additional Information About the Fund’s Investments and Investment Risks” in the SAI.

**No Operating History**

The Fund is a newly organized, diversified, closed-end management investment company with no operating history. It is designed for long-term investing and not as a vehicle for trading.
Investment and Market Risk

An investment in the Common Shares represents an indirect investment in the securities owned by the Fund. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. Accordingly, an investment in the Fund’s Common Shares is subject to investment risk, including the possible loss of the entire amount that you invest. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of Fund dividends and distributions.

Market Discount from Net Asset Value Risk

Shares of closed-end investment companies frequently trade at a discount from their NAV. This characteristic is a risk separate and distinct from the risk that the Fund’s NAV could decrease as a result of its investment activities and may be greater for investors expecting to sell their Common Shares in a relatively short period of time following completion of this offering. Because the market price of the Common Shares will be determined by factors such as NAV, dividend and distribution levels and their stability (which will in turn be affected by levels of dividend and interest payments by the Fund’s portfolio holdings, the timing and success of the Fund’s investment strategies, regulations affecting the timing and character of Fund distributions, Fund expenses and other factors), supply of and demand for the Common Shares, trading volume of the Common Shares, general market, interest rate and economic conditions and other factors beyond the control of the Fund, the Fund cannot predict whether or when the Common Shares will trade at, below or above NAV or at, below or above the initial public offering price.

General Economic and Market Conditions

The success of the Fund’s activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the Fund’s investments. Unexpected volatility or illiquidity could impair the Fund’s profitability or result in its suffering losses.

Recent Market Circumstances

The Fund (as well as its service providers) may be adversely affected by uncertainties and events around the world, such as epidemics and pandemics, including the spread of infectious illness or other public health issues, natural disasters, terrorism and other conflicts, social unrest, political developments, and changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which it invests. The Fund cannot predict the effects or likelihood of such events on the U.S. and world economies, the value of the Common Shares or the NAV of the Fund. The issuers of securities, including those held in the Fund’s portfolio, could be materially impacted by such events which may, in turn, negatively affect the value of such securities or such issuers’ ability to make interest payments or distributions to the Fund.

A recent outbreak of respiratory disease caused by a novel and highly contagious form of coronavirus was first detected in Wuhan City, Hubei Province, China and has as of March 11, 2020, been characterized by the World Health Organization as a pandemic. On March 13, 2020, the President of the United States declared the outbreak a national emergency. The virus, named “SARS-CoV-2” (sometimes referred to as the “corona virus” and abbreviated as “COVID-19”), has adversely impacted global commercial activity and has contributed to significant volatility in certain financial markets. The global impact of the outbreak is rapidly evolving, and many countries, including the United States and various European countries, have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. There are no comparable recent events in the United States that provide guidance as to the effect of the spread of COVID-19 and a potential pandemic on the economy as a whole and, consequently, the Fund. Accordingly, while there have been proposed, and in some cases enacted, economic stimulus measures aimed at curbing the negative economic impacts to the U.S. and other countries as a result of COVID-19, it cannot be determined at this time whether such stimulus measures will have a stabilizing economic effect.

As a result of these recent market circumstances, the markets for credit instruments are currently experiencing deteriorating conditions that could cause periods of extreme illiquidity and volatility. These conditions may exist for a prolonged period of time and could recur from time to time in the future. Such periods may be subject to market uncertainty and consequent repricing risk that could lead to market imbalances of sellers and buyers, which in turn could result in significant valuation uncertainties in a variety of debt securities and also result in sudden and significant valuation declines in the Fund’s holdings. Moreover, such periods could result in widening credit spreads and a lack of price transparency. Illiquidity and volatility in the credit markets may directly and adversely affect the setting of dividend rates on the Fund’s Common Shares. See “—Liquidity Risk.”
During periods of extreme illiquidity and volatility in the credit markets, issuers of debt securities may be subject to increased costs associated with incurring debt, tightening underwriting standards and reduced liquidity for the loans they make, the securities they purchase and the securities they issue. The reduced willingness of some lenders to extend credit, in general, may make it more difficult for issuers of debt instruments, including issuers of high yield debt securities and Senior Loans, to finance their operations, may adversely affect the ability of the issuers of securities owned by the Fund to make payments of principal and interest when due, and lead to lower credit ratings and increased defaults. Such developments could, in turn, reduce the value of securities owned by the Fund and adversely affect the Fund’s NAV.

**Government Intervention in Financial Markets Risk**

The instability in the financial markets in the recent past led the U.S. government and foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that experienced extreme volatility, and in some cases a lack of liquidity, such as implementing stimulus packages, providing liquidity in fixed income, commercial paper and other markets, and providing tax breaks, among other actions. Current market conditions resulting from the COVID-19 crisis have led and may continue to lead to further such actions. See “— Recent Market Circumstances.” U.S. federal and state governments and foreign governments, their regulatory agencies or self-regulatory organizations may take additional actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable and on an “emergency” basis with little or no notice with the consequence that some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions will be suddenly and/or substantially eliminated or otherwise negatively implicated. Given the complexities of the global financial markets and the limited time frame within which governments have been able to take action, these interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty, which in itself has been materially detrimental to the efficient functioning of such markets as well as previously successful investment strategies. Decisions made by government policy makers could exacerbate any economic difficulties. Issuers might seek protection under the bankruptcy laws. Legislation or regulation may also change the way in which the Fund itself is regulated. Such legislation or regulation could limit or preclude the Fund’s ability to achieve its investment objective.

**Credit and Below Investment Grade Securities Risk**

Credit risk is the risk that an issuer or counterparty will fail to pay its obligations to the Fund when they are due. If an investment’s issuer or counterparty fails to pay interest or otherwise fails to meet its obligations to the Fund, the Fund’s income might be reduced and the value of the investment might fall or be lost entirely. Financial strength and solvency of an issuer are the primary factors influencing credit risk. Changes in the financial condition of an issuer or counterparty, changes in specific economic, social or political conditions that affect a particular type of instrument or an issuer, and changes in economic, social or political conditions generally can increase the risk of default by an issuer or counterparty, which can affect an instrument’s credit quality or value and an issuer’s or counterparty’s ability to pay interest and principal when due. The values of securities also may decline for a number of other reasons that relate directly to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods and services, as well as the historical and prospective earnings of the issuer and the value of its assets. Credit risk is heightened to the extent the Fund has fewer counterparties.

In addition, lack of or inadequacy of collateral or credit enhancements for a fixed income security may affect its credit risk. Credit risk of a security may change over time, and securities which are rated by rating agencies may be subject to downgrade, which may have an indirect impact on the market price of securities. Ratings are only opinions of the agencies issuing them as to the likelihood of re-payment. They are not guarantees as to quality and they do not reflect market risk.

Below investment grade securities are securities rated below “BBB-” by S&P or Fitch, or below “Baa3” by Moody’s, or comparably rated by another NRSRO or, if unrated, determined by the Advisor to be of comparable credit quality at the time of purchase. Below investment grade securities are commonly referred to as “junk” or “high yield” securities and are considered speculative with respect to the issuer’s capacity to pay interest and repay principal and are susceptible to default or decline in market value due to adverse economic and business developments. High yield securities are often unsecured and subordinated to other creditors of the issuer. The market values for high yield securities tend to be very volatile, and these securities are generally less liquid than investment grade securities. For these reasons, an investment in the Fund is subject to the following specific risks: (i) increased price sensitivity to changing interest rates and to a deteriorating economic environment; (ii) greater risk of loss due to default or declining credit quality; (iii) adverse company specific events more likely to render the issuer unable to make interest and/or principal payments; (iv) negative perception of the high yield market which may depress the price and liquidity of high yield securities; (v) volatility; and (vi) illiquidity.

Default, or the market’s perception that an issuer is likely to default, could reduce the value and liquidity of securities held by the Fund, thereby reducing the value of the Common Shares. In addition, default may cause the Fund to incur expenses in seeking recovery of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to a portfolio company, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment. Among the risks inherent in investments in a troubled entity is the fact that it frequently may be difficult to obtain
information as to the true financial condition of such issuer. The Advisor’s judgment about the credit quality of an issuer and the relative value of its securities may prove to be wrong. Investments in below investment grade securities may present special tax issues for the Fund to the extent that the issuers of these securities default on their obligations pertaining thereto, and the federal income tax consequences to the Fund as a holder of such distressed securities may not be clear.

Adverse changes in economic conditions are more likely to lead to a weakened capacity of a high yield issuer to make principal payments and interest payments than an investment grade issuer. An economic downturn could severely affect the ability of highly leveraged issuers to service their debt obligations or to repay their obligations upon maturity. If the current economic downturn continues longer than corporate managers anticipate or prepare for, that could similarly affect many issuers. See “—Recent Market Circumstances.”

The secondary market for high yield securities may not be as liquid as the secondary market for more highly rated securities, a factor which may have an adverse effect on the Fund’s ability to dispose of a particular security. There are fewer dealers in the market for high yield securities than for investment grade obligations. The prices quoted by different dealers may vary significantly, and the spread between bid and asked prices is generally much larger for high yield securities than for higher quality instruments. Under adverse market or economic conditions, the secondary market for high yield securities could contract further, independent of any specific adverse changes in the condition of a particular issuer, and these securities may become illiquid. As a result, the Fund could find it more difficult to sell these securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Prices realized upon the sale of such lower rated or unrated securities, under these circumstances, may be less than the prices used in calculating the Fund’s NAV. See “—Liquidity Risk.”

Debt Securities Risk

In addition to certain of the other risks described herein such as interest rate risk and credit risk, debt securities generally also are subject to the following risks:

- **Redemption Risk**—Debt securities sometimes contain provisions that allow for redemption in the event of tax or security law changes in addition to call features at the option of the issuer. In the event of a redemption, the Fund may not be able to reinvest the proceeds at comparable rates of return.

- **Extension Risk**—This is the risk that if interest rates rise, repayments of principal on certain debt securities, including, but not limited to, floating rate loans, may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result. Securities that are subject to extension risk generally have a greater potential for loss when prevailing interest rates rise, which could cause their values to fall sharply.

- **Liquidity Risk**—Certain debt securities may be substantially less liquid than many other securities, such as U.S. Government securities or common shares or other equity securities.

- **Spread Risk**—Wider credit spreads and decreasing market values typically represent a deterioration of the debt security’s credit soundness and a perceived greater likelihood or risk of default by the issuer.

- **Limited Voting Rights**—Debt securities typically do not provide any voting rights, except in some cases when interest payments have not been made and the issuer is in default. Even in such cases, such rights may be limited to the terms of the debenture or other agreements.

- **Prepayment/Reinvestment Risk**—Many types of debt securities, including floating rate loans, may reflect an interest in periodic payments made by borrowers. Although debt securities and other obligations typically mature after a specified period of time, borrowers may pay them off sooner. When a prepayment happens, all or a portion of the obligation will be prepaid. A borrower is more likely to prepay an obligation which bears a relatively high rate of interest. This means that in times of declining interest rates, there is a greater likelihood that the Fund’s higher yielding securities will be pre-paid and the Fund will probably be unable to reinvest those proceeds in an investment with as high a yield, causing the Fund’s yield to decline. Securities subject to prepayment risk generally offer less potential for gains when prevailing interest rates fall. If the Fund buys those investments at a premium, accelerated prepayments on those investments could cause the Fund to lose a portion of its principal investment and result in lower yields to shareholders. The increased likelihood of prepayment when interest rates decline also limits market price appreciation, especially with respect to certain loans. The effect of prepayments on the price of a security may be difficult to predict and may increase the security’s price volatility. Interest-only and principal only securities are especially sensitive to interest rate changes, which can affect not only their prices but can also change the income flows and repayment assumptions about those investments. Income from the Fund’s portfolio may decline when the Fund invests the proceeds from investment income, sales of portfolio securities or matured, traded or called debt obligations. A decline in income received by the Fund from its investments is likely to have a negative effect on the dividend levels and market price, NAV and/or overall return of the Common Shares.
Corporate Debt Obligations Risk

The market value of corporate debt obligations generally may be expected to rise and fall inversely with interest rates. The market value of intermediate- and longer term corporate debt obligations is generally more sensitive to changes in interest rates than is the market value of shorter term corporate debt obligations. The market value of corporate debt obligations also may be affected by factors directly related to the issuer, such as investors’ perceptions of the creditworthiness of the issuer, the issuer’s financial performance, perceptions of the issuer in the marketplace, performance of management of the issuer, the issuer’s capital structure and use of financial leverage and demand for the issuer’s goods and services. There is a risk that the issuers of corporate debt may not be able to meet their obligations on interest and/or principal payments at the time called for by an instrument. Corporate debt obligations rated below investment grade quality is often high risk and has speculative characteristics and may be particularly susceptible to adverse issuer-specific developments. See “—Credit and Below Investment Grade Securities Risk.” See also “—Debt Securities Risk.”

Senior Loan Risk

Senior Loans are subject to the risk of payment defaults of scheduled interest or principal. Such payment defaults would result in a reduction of income to the Fund, a reduction in the value of the investment and a potential decrease in the NAV of the Fund. Similarly, a sudden and significant increase in market interest rates may increase the risk of payment defaults and cause a decline in the value of these investments and in the Fund’s NAV. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of Senior Loans and other debt obligations, impairing the Fund’s NAV. If a borrower under a Senior Loan defaults or goes into bankruptcy, the Fund may recover only a fraction of what is owed on the Senior Loan or nothing at all.

The Fund will invest in Senior Loans rated below investment grade, which are commonly referred to as “junk” or “high yield” securities and considered speculative because of the credit risk of their issuers. Such issuers are more likely than investment grade issuers to default on their payments of interest and principal owed to the Fund, and such defaults could reduce the Fund’s NAV and income distributions. See “——Credit and Below Investment Grade Securities Risk.” During an economic downturn, the Fund may experience a higher non-payment rate, and a Senior Loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan’s value.

Senior Loans are structured as floating rate instruments in which the interest rate payable on the obligation fluctuates with interest rate changes. See “——Other Risks Associated with Loans——Interest Rate and Interest Rate Benchmarks.”

Senior Loans are generally not registered with the SEC or state securities commissions, and are generally not listed on any securities exchange. In addition, the amount of public information available on Senior Loans is generally less extensive than that available for other types of assets. Therefore, the Fund will be particularly dependent on the analytical abilities of the Advisor. See “——Other Risks Associated with Loans——Valuation and Liquidity”

Although the Senior Loans in which the Fund will invest will be secured by collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal. The Fund’s investments in Senior Loans may be collateralized with one or more of (1) working capital assets, such as accounts receivable and inventory, (2) tangible fixed assets, such as real property, buildings and equipment, (3) intangible assets such as trademarks or patents, or (4) security interests in shares of stock of the borrower or its subsidiaries or affiliates. In the case of loans to a non-public company, the company’s shareholders or owners may provide collateral in the form of secured guarantees and/or security interests in assets they own. In the event of a decline in the value of the already pledged collateral, if the terms of the Senior Loan do not require the borrower to pledge additional collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower’s obligations under the Senior Loans. Senior Loans that are under-collateralized involve a greater risk of loss. In the event of the bankruptcy or insolvency of a borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Senior Loan. For example, if a borrower defaults, insolvency laws may limit the Fund’s access to the collateral, or the lenders may be unable to liquidate the collateral. A bankruptcy court might find that the collateral securing the Senior Loan is invalid or require the borrower to use the collateral to pay other outstanding obligations. If the collateral consists of stock of the borrower or its subsidiaries, the stock may lose all of its value in the event of a bankruptcy, which would leave the Fund exposed to greater potential loss. To the extent that a Senior Loan is collateralized by stock in the borrower or its subsidiaries, such stock may lose some or all of its value in the event of the bankruptcy or insolvency of the borrower.
If a borrower defaults on a collateralized Senior Loan, the Fund may receive assets other than cash or securities in full or partial satisfaction of the borrower’s obligation under the Senior Loan. Those assets may be illiquid, and the Fund might not be able to realize the benefit of the assets for legal, practical or other reasons. The Fund might hold those assets until the Advisor determined it was appropriate to dispose of them. If the collateral becomes illiquid or loses some or all of its value, the collateral may not be sufficient to protect the Fund in the event of a default of scheduled interest or principal payments.

Some Senior Loans are subject to the risk that a court, pursuant to equitable subordination or other similar laws, could subordinate the Senior Loans to presently existing or future indebtedness of the borrower or take other action detrimental to lenders, such as the Fund. Such court action could under certain circumstances include invalidation of Senior Loans. If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain borrowers. This would increase the risk of default. See “—Lender Liability Risk.”

Any new legislation or federal or state regulations that require financial institutions to increase their capital requirements may cause financial institutions to dispose of Senior Loans on their balance sheets that are considered highly levered transactions. Such sales could result in prices that, in the opinion of the Advisor, do not represent fair value. If the Fund attempts to sell a Senior Loan at a time when a financial institution is engaging in such a sale, the price the Fund could get for the Senior Loan may be adversely affected.

The Fund may acquire Senior Loans through participations or assignments. The purchaser of a participation typically succeeds to all the rights and obligations of the participating institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser’s rights can be more restricted than those of the participating institution, and the Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the borrower. By purchasing a participation, the Fund will have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by the lender of the payments from the borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement against the borrower, and the Fund may not directly benefit from the collateral supporting the Senior Loan in which it has purchased the participation. As a result, the Fund will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, in certain circumstances the Fund may not be able to conduct the due diligence on the borrower or the quality of the Senior Loan with respect to which it is buying a participation that the Fund would otherwise conduct if it were investing directly in the Senior Loan, which may result in the Fund being exposed to greater credit or fraud risk with respect to the borrower or the Senior Loan than the Fund expected when initially purchasing the participation.

When the Fund is a purchaser of an assignment, it typically succeeds to all the rights and obligations under the loan agreement of the assigning lender and becomes a lender under the loan agreement with the same rights and obligations as the assigning lender. Assignments are arranged through private negotiations between potential assignees and potential assignors, and the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning lender.

The Fund may obtain exposure to Senior Loans through the use of derivative instruments. The Fund may utilize these instruments and similar instruments that may be available in the future. Derivative transactions involve the risk of loss due to unanticipated adverse changes in securities prices, interest rates, the inability to close out a position, imperfect correlation between a position and the desired hedge, tax constraints on closing out positions and portfolio management constraints on securities subject to such transactions. The potential loss on derivative instruments may be substantial relative to the initial investment therein. The Fund may also be subject to the risk that the counterparty in a derivative transaction will default on its obligations. See “—Total Return Swaps Risk” and “—Credit Default Swaps Risk.”

**Interest Rate Risk**

Generally, when market interest rates rise, prices of debt securities fall, and vice versa. Interest rate risk is the risk that the debt securities in the Fund’s portfolio will decline in value because of increases in market interest rates. As interest rates decline, issuers of debt securities may prepay principal earlier than scheduled, forcing the Fund to reinvest in lower-yielding securities and potentially reducing the Fund’s income. As interest rates increase, slower than expected principal payments may extend the average life of securities, potentially locking in a below-market interest rate and reducing the Fund’s value. In typical market interest rate environments, the prices of longer-term debt securities generally fluctuate more than prices of shorter-term debt securities as interest rates change. These risks may be greater in the current market environment because, as of the date of this prospectus, certain interest rates are at or near historic lows. Therefore, there is a risk that interest rates will rise, which will likely cause the Fund’s debt security prices to fall. See “—LIBOR Risk.”
Seven-Year Term Risk

The Fund intends to terminate on or about the Termination Date. Because the assets of the Fund will be liquidated in connection with the termination, the Fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Fund to lose money. In particular, the Fund’s portfolio may still have significant remaining average maturity and duration, and large exposures to lower-quality credits, as the Termination Date approaches, and if interest rates are high (and the value of lower-quality fixed-income securities consequently low) at the time the Fund needs to liquidate its assets in connection with the termination, the losses due to portfolio liquidation may be significant. Moreover, as the Fund approaches the Termination Date, its portfolio composition may change as more of its portfolio holdings are called or sold, which may cause the returns to decrease and the NAV of the Common Shares to fall. Rather than reinvesting the proceeds of matured, called or sold securities, the Fund may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management, or the Fund may invest the proceeds in lower yielding securities or hold the proceeds in cash, which may adversely affect its performance.

Because the Fund will invest in below investment grade securities, it may be exposed to the greater potential for an issuer of its securities to default, as compared to a fund that invests solely in investment grade securities. As a result, should a Fund portfolio holding default, this may significantly reduce net investment income and, therefore, Common Share dividends, and also may prevent or inhibit the Fund from fully being able to liquidate its portfolio at or prior to the Termination Date. See “—Credit and Below Investment Grade Securities Risk.”

The Fund’s investment objective and policies are not designed to return to investors who purchase Common Shares in this offering their initial investment on the Termination Date. When terminated, the Fund’s final distribution will be based upon its NAV at the end of the term and such initial investors and any investors that purchase Common Shares after the completion of this offering may receive more or less than their original investment.

Subordinated Debt Instruments Risk

Issuers of subordinated loans and other subordinated debt instruments in which the Fund may invest usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, the subordinated loans or other subordinated debt instruments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which the Fund is entitled to receive payments in respect of subordinated loans or other subordinated debt instruments in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of an issuer, holders of debt instruments ranking senior to the subordinated loan or other debt instrument in which the Fund invests would typically be entitled to receive payment in full before the Fund receives any distribution in respect of its investment. After repaying such senior creditors, such issuer may not have any remaining assets to use for repaying its obligation to the Fund. In the case of debt ranking equally with subordinated loans or other subordinated debt instruments in which the Fund invests, the Fund would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant issuer. In addition, the Fund will likely not be in a position to control any issuer by investing in its debt instruments. As a result, the Fund will be subject to the risk that an issuer in which it invests may make business decisions with which the Fund disagrees and the management of such issuer, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve the Fund’s interests as a debt investor.

Shareholder Activism Risk

Shareholder activism, which could take many forms, including making public demands that the Fund consider certain strategic alternatives, engaging in public campaigns to attempt to influence the Fund’s governance and/or management, and commencing proxy contests to attempt to elect the activists’ representatives or others to the Fund’s Board of Trustees or seeking a tender offer or liquidation of the Fund. Shareholder activism arises in a variety of situations, and has been increasing in the closed-end fund space recently. Due to the potential volatility of the Fund’s stock price and for a variety of other reasons, the Fund may in the future become the target of shareholder activism. Shareholder activism could result in substantial costs and divert management’s and the Fund’s Board’s attention and resources from its business. Also, the Fund may be required to incur significant legal and other expenses related to any activist shareholder matters. Further, the Fund’s stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism. Shareholder activists seek short-term actions that can increase Fund costs per share and be detrimental to long-term shareholders.

Management Risk and Reliance on Key Personnel

The Fund is subject to management risk because it is an actively managed portfolio. The Advisor will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. The Advisor’s judgments about the attractiveness, value and potential appreciation of particular asset classes,
sectors, securities, or other investments may prove to be incorrect and may not anticipate actual market movements or the impact of economic conditions generally. No matter how well a portfolio manager evaluates market conditions, the investments a portfolio manager chooses may fail to produce the intended result, and you could lose money on your investment in the Fund.

In addition, implementation of the Fund’s investment strategy depends upon the continued contributions of certain key employees of the Advisor, some of whom have unique talents and experience and would be difficult to replace. The loss or interruption of the services of a key member of the portfolio management team could have a negative impact on the Fund during the transitional period that would be required for a successor to assume the responsibilities of the position.

Other Risks Associated with Loans

Investments in loans (including loans other than Senior Loans) are generally subject to the same risks as investments in other types of debt obligations, including, among others, credit risk, interest rate risk, prepayment risk, and extension risk. In addition, in many cases loans are subject to the risks associated with below investment grade securities.

Interest Rate and Interest Rate Benchmarks. The interest rates on floating rate loans typically adjust only periodically. Accordingly, adjustments in the interest rate payable under a loan may trail prevailing interest rates significantly, especially if there are limitations placed on the amount the interest rate on a loan may adjust in a given period. Certain floating rate loans have a feature that prevents their interest rates from adjusting if market interest rates are below a specified minimum level. When interest rates are low, this feature could result in the interest rates of those loans becoming fixed at the applicable minimum level until interest rates rise above that level. Although this feature is intended to result in these loans yielding more than they otherwise would when interest rates are low, the feature might also result in the prices of these loans becoming more sensitive to changes in interest rates should interest rates rise but remain below the applicable minimum level.

Interest rates on loans typically adjust periodically often based on changes in a benchmark rate plus a premium or spread over the benchmark rate. The benchmark rate may be LIBOR, the Prime Rate, or other base lending rates used by commercial lenders (each as defined in the applicable loan agreement). Some benchmark rates may reset daily; others reset less frequently. The interest rate on LIBOR-based loans is reset periodically, typically based on a period between 30 days and one year. Certain floating or variable rate loans may permit the borrower to select an interest rate reset period of up to one year or longer. Investing in loans with longer interest rate reset periods may increase fluctuations in the Fund’s NAV as a result of changes in interest rates. Interest rates on loans with longer periods between benchmark resets will typically trail market interest rates in a rising interest rate environment. See “—LIBOR Risk.”

Certain loans may permit the borrower to change the base lending rate during the term of the loan. One benchmark rate may not adjust to changing market or interest rates to the same degree or as rapidly as another, permitting the borrower the option to select the benchmark rate that is most advantageous to it and less advantageous to the Fund. To the extent the borrower elects this option, the interest income and total return the Fund earns on the investment may be adversely affected as compared to other investments where the borrower does not have the option to change the base lending or benchmark rate.

Valuation and Liquidity. Investments in loans may be difficult to value and may be illiquid. Floating rate loans generally are subject to legal or contractual restrictions on resale. The liquidity of floating rate loans, including the volume and frequency of secondary market trading in such loans, varies significantly over time and among individual floating rate loans. For example, if the credit quality of the borrower related to a floating rate loan unexpectedly declines significantly, secondary market trading in that floating rate loan can also decline.

Opportunities to invest in loans or certain types of loans, including Senior Loans, may be limited. Alternative investments may provide lower yields and may, in the Advisor’s view, offer less attractive investment characteristics. The limited availability of loans may be due to a number of reasons, including that direct lenders may allocate only a small number of loans to new investors, including the Fund. There also may be fewer loans made or available that the Advisor considers to be attractive investment opportunities, particularly during economic downturns. Also, lenders or agents may have an incentive to market only the least desirable loans to investors such as the Fund. If the market demand for loans increases, the availability of loans for purchase and the interest paid by borrowers may decrease.

Equity Securities. The acquisition of equity securities (e.g., common stock, preferred stock and securities convertible into common stock) may generally be incidental to the Fund’s purchase of a loan. The Fund may acquire equity securities as part of an instrument combining a loan and equity securities of a borrower or its affiliates. The Fund also may acquire equity securities issued in exchange for a loan or in connection with the default and/or restructuring of a loan, including subordinated and unsecured loans, and high yield securities. Equity securities are subject to market risks and the risks of changes to the financial condition of the issuer, and fluctuations in value.
**Restrictive Loan Covenants Risk.** Borrowers must comply with various restrictive covenants that may be contained in loan agreements. They may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the borrower to maintain specific financial ratios, and limits on total debt. They may include requirements that the borrower prepay the loan with any free cash flow. A break of a covenant that is not waived by the agent bank (or the lenders) is normally an event of default that provides the agent bank or the lenders the right to call the outstanding amount on the loan. If a lender accelerates the repayment of a loan because of the borrower’s violation of a restrictive covenant under the loan agreement, the borrower might default in payment of the loan.

Some of the loans in which the Fund may invest or to which the Fund may obtain exposure may be “covenant-lite.” Such loans contain fewer or less restrictive constraints on the borrower than certain other types of loans. Such loans generally do not include terms which allow the lender to monitor the performance of the borrower and declare a default or force a borrower into bankruptcy restructuring if certain criteria are breached. Under such loans, lenders typically must rely on covenants that restrict a borrower from incurring additional debt or engaging in certain actions. Such covenants can be breached only by an affirmative action of the borrower, rather than by a deterioration in the borrower’s financial condition. Accordingly, the Fund may have fewer rights against a borrower when it invests in or has exposure to such loans and so may have a greater risk of loss on such investments as compared to investments in or exposure to loans with additional or more conventional covenants.

**Settlement Risk.** Transactions in many loans settle on a delayed basis, and the Fund may not receive the proceeds from the sale of such loans for a substantial period after the sale. As a result, sale proceeds related to the sale of such loans may not be available to make additional investments until potentially a substantial period after the sale of the loans.

**Other Legal Risks.** Recent case law has cast doubt on the ability of a purchaser of a loan, such as the Fund, to charge the same rate of interest as an originating entity after the loan has been sold by the originating entity. In 2015, the U.S. Court of Appeals for the Second Circuit issued a significant decision that interpreted the scope of federal preemption under the National Bank Act (the “NBA”) and held that a non-bank assignee of loans sourced by a national bank was not entitled to the benefits of NBA preemption as to state law claims of usury. Although the decision is binding only in Connecticut, New York and Vermont, it may significantly affect non-bank assignees of loans, including, potentially, the Fund. At a minimum, non-bank assignees/purchasers of bank loans may face uncertainty regarding their ability to rely upon federal preemption of state usury laws in those three states; in addition, a number of market participants, including, potentially, the Fund purchase loans from state-chartered banks promptly after origination and may seek to rely upon federal preemption to exempt the loans from state usury caps. The decision, although directly ruling on purchasers of national bank loans, could be applied by courts considering the scope of federal preemption under the Depository Institutions Deregulation and Monetary Control Act of 1980 (which generally preempts state usury laws in favor of federally insured state-chartered banks) with respect to loans originated by state-chartered banks.

The Second Circuit’s decision appears to be contrary to other federal circuit court decisions and inconsistent with longstanding commercial practice. Although the decision was appealed to the U.S. Supreme Court, the Court declined to consider it, leaving in place the Second Circuit’s ruling. In February 2017, in further action following remand from the Second Circuit, the U.S. District Court ruled that the choice of law provision, which selected Delaware rather than New York law, would not be enforced and that New York law should be applied for determining the applicable usury ceiling. The claims based on usury were also dismissed. The impact of the case is uncertain because the case ultimately settled in September 2019 without further action, and the Supreme Court could ultimately disagree with the ruling in a different case. In addition, the holding could be overturned, distinguished or otherwise limited by the subsequent litigation on similar issues in other cases in the Second Circuit. If the decision in this case were applied to lending activity more broadly, it is possible that certain loans made to borrowers in Connecticut, New York and Vermont by originating banks at interest rates in excess of the local usury ceiling could be in jeopardy if assigned to a non-bank assignee if the ruling in this case is applied to them. As a result, if the Fund purchases or holds such loans (directly or indirectly) and litigation is brought to challenge their enforceability on similar grounds as this case, the Fund could suffer significant losses. Moreover, if the ruling in this case is applied in other jurisdictions, the enforceability of loans made through originating banks at interest rates in excess of a local usury ceiling may also be in jeopardy and the Fund could suffer losses if it purchases or holds such loans.

The Colorado Attorney General has filed two actions against online lenders alleging that non-banks were collecting interest and fees in excess of the Colorado usury laws. Motions to dismiss have been filed in the case which are awaiting decision. However, in a recent bankruptcy proceeding in Colorado, a federal judge rejected the holding in the above-referenced Second Circuit case and found that the high interest rate on a promissory note of a bank to a commercial borrower remained valid in the hands of a non-bank assignee. The debtor has appealed the decision to the District Court including theories based on such Second Circuit court decision. The Federal Deposit Insurance Corporation (the “FDIC”) and the Office of the Comptroller of the Currency (the “OCC”) filed a joint amicus brief in the action challenging the Second Circuit court opinion stating that the court failed to consider the long standing legal principle that a loan that is valid when made does not become usurious when it is assigned and that not being able to engage in assignments of loans could lead to economic disruptions and negative consequences. The agencies also state that inherent in federal law is the right to assign loans and that failure to enforce contractual terms would significantly interfere with a bank’s powers.
On November 18, 2019, the OCC issued a Notice of Proposed Rulemaking and, on November 19, 2019, the FDIC also issued a Notice of Proposed Rulemaking under their interest rate authority to codify in the Code of Federal Regulations the “valid when made” doctrine affirming that the interest rate on loans is not subject to change when a loan is sold, assigned or otherwise transferred. The public comment period has ended for both proposals. If codified, the regulations would serve as authority contrary to the aforementioned Second Circuit court decision and courts would need to consider deference to those regulations of the federal banking regulators.

In addition, loans and certain other forms of direct indebtedness may not be classified as “securities” under the federal securities laws and, therefore, when the Fund purchases such instruments, it may not be entitled to the protections against fraud and misrepresentation contained in the federal securities laws.

Second Lien Loan Risk

A second lien loan may have a claim on the same collateral pool as the first lien or it may be secured by a separate set of assets. Second lien loans are typically secured by a second priority security interest or lien to or on specified collateral securing the borrower’s obligation under the interest. Because second lien loans are second to first lien loans, they present a greater degree of investment risk. Specifically, these loans are subject to the additional risk that the cash flow of the borrower and property securing the loan may be insufficient to meet scheduled payments after giving effect to those loans with a higher priority. In addition, loans that have a lower than first lien priority on collateral of the borrower generally have greater price volatility than those loans with a higher priority and may be less liquid. However, second lien loans often pay interest at higher rates than first lien loans reflecting such additional risks.

Second lien loans generally give investors priority over general unsecured creditors in the event of an asset sale. The priority of the collateral claims of third or lower lien loans ranks below holders of second lien loans and so on. Such junior loans are subject to the same general risks inherent to any loan investment, including credit risk, market and liquidity risk, and interest rate risk. Due to their lower place in the borrower’s capital structure and possible unsecured or partially secured status, such loans involve a higher degree of overall risk than first lien loans, since cash flow of the borrower and property securing the loan, if any, may be insufficient to meet scheduled payments after giving effect to higher priority secured obligations of the borrower. Second lien loans also share the same risks of other below investment grade debt instruments. See “—Credit and Below Investment Grade Securities Risk.”

LIBOR Risk

The terms of many investments, financings or other transactions to which the Fund may be a party have been historically tied to the London Interbank Offered Rate, or “LIBOR.” LIBOR is the offered rate at which major international banks can obtain wholesale, unsecured funding, and LIBOR may be available for different durations (e.g., 1 month or 3 months) and for different currencies. LIBOR may be a significant factor in determining the Fund’s payment obligations under a derivative investment, the cost of financing to the Fund or an investment’s value or return to the Fund, and may be used in other ways that affect the Fund’s investment performance. In July 2017, the Financial Conduct Authority, the United Kingdom’s financial regulatory body, announced that after 2021 it will cease its active encouragement of banks to provide the quotations needed to sustain LIBOR. That announcement suggests that LIBOR may cease to be published after that time. Various financial industry groups have begun planning for that transition, but there are obstacles to converting certain securities and transactions to a new benchmark. Transition planning is at an early stage, and neither the effect of the transition process nor its ultimate success can yet be known. The transition process might lead to increased volatility and illiquidity in markets for instruments whose terms currently include LIBOR. It could also lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of new hedges placed against existing LIBOR-based investments. While some LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate-setting methodology and/or increased costs for certain LIBOR-related instruments or financing transactions, not all may have such provisions and there may be significant uncertainty regarding the effectiveness of any such alternative methodologies, resulting in prolonged adverse market conditions for the Fund. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021. There also remains uncertainty and risk regarding the willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments. All of the aforementioned may adversely affect the Fund’s performance or NAV.

Lender Liability Risk

A number of U.S. judicial decisions have upheld judgments of borrowers against lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has violated a duty (whether implied or contractual) of good faith, commercial reasonableness and fair dealing, or a similar duty owed to the borrower or has assumed an excessive degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of its investments, the Fund may be subject to allegations of lender liability.
In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in inequitable conduct to the detriment of the other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, the other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of the borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.” Because affiliates of, or persons related to, the Advisor may hold equity or other interests in obligors of the Fund, the Fund could be exposed to claims for equitable subordination or lender liability or both based on such equity or other holdings.

Defaulted and Distressed Securities Risk

The Fund may invest in securities that may be in default or distressed—i.e., securities of companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings. Distressed securities present a substantial risk of future default which may cause the Fund to incur losses, including additional expenses, to the extent it is required to seek recovery upon a default in the payment of principal or interest on those securities. In any reorganization or liquidation proceeding relating to a portfolio security, the Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

The Fund may be required to incur certain extraordinary expenses in order to protect and recover its investment on defaulted or distressed securities. The Fund also will be subject to significant uncertainty as to when and in what manner and for what value the obligations evidenced by the defaulted or distressed securities will eventually be satisfied (e.g., through a liquidation of the obligor’s assets, an exchange offer or plan of reorganization involving the defaulted or distressed securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to defaulted or distressed securities held by the Fund, there can be no assurance that the securities or other assets received by the Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by the Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. As a result of the Fund’s participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of defaulted or distressed securities, the Fund may be restricted from disposing of such securities.

The Fund may invest in loans of borrowers that are experiencing, or are likely to experience, financial difficulty. These loans are subject to greater credit and liquidity risks than other types of loans. In addition, the Fund can invest in loans of borrowers that have filed for bankruptcy protection or that have had involuntary bankruptcy petitions filed against them by creditors. Various laws enacted for the protection of debtors may apply to loans. A bankruptcy proceeding or other court proceeding could delay or limit the ability of the Fund to collect the principal and interest payments on that borrower’s loans or adversely affect the Fund’s rights in collateral relating to a loan. If a lawsuit is brought by creditors of a borrower under a loan, a court or a trustee in bankruptcy could take certain actions that would be adverse to the Fund. For example:

- Other creditors might convince the court to set aside a loan or the collateralization of the loan as a “fraudulent conveyance” or “preferential transfer.” In that event, the court could recover from the Fund the interest and principal payments that the borrower made before becoming insolvent. There can be no assurance that the Fund would be able to prevent that recapture.
- A bankruptcy court may restructure the payment obligations under the loan so as to reduce the amount to which the Fund would be entitled.
- The court might discharge the amount of the loan that exceeds the value of the collateral.
- The court could subordinate the Fund’s rights to the rights of other creditors of the borrower under applicable law, decreasing, potentially significantly, the likelihood of any recovery on the Fund’s investment.

Leverage Risk

Any senior securities issued by the Fund will have seniority over the Common Shares and may be secured by the assets of the Fund. The use of leverage by the Fund can magnify the effect of any losses. If the income and gains earned on the securities and investments purchased with leverage proceeds are greater than the cost of the leverage, the Common Shares’ return will be greater than if leverage had not been used. Conversely, if the income and gains from the securities and investments purchased with such proceeds do not cover the cost of leverage, the return to the Common Shares will be less than if leverage had not been used. Leverage involves risks and special considerations for Common Shareholders including:

- the likelihood of greater volatility of NAV and market price of the Common Shares than a comparable portfolio without leverage;
• the risk that fluctuations in interest rates on borrowings and other associated costs of leverage will reduce the return to the Common Shareholders or will result in fluctuations in the dividends paid on the Common Shares;

• the effect of leverage in a declining market, which is likely to cause a greater decline in the NAV of the Common Shares than if the Fund were not leveraged, which may result in a greater decline in the market price of the Common Shares; and

• when the Fund uses certain types of leverage, the investment advisory fee payable to the Advisor will be higher than if the Fund did not use leverage.

There is no assurance that a leveraging strategy will be successful. The Fund may continue to use leverage if the benefits to the Fund’s Common Shareholders of maintaining the leveraged position are believed to outweigh any current reduced return.

The funds borrowed pursuant to a leverage borrowing program (such as a credit line), or obtained through the issuance of Preferred Shares, constitute a substantial lien and burden by reason of their prior claim against the income of the Fund and against the net assets of the Fund in liquidation. The rights of lenders to receive payments of interest on and repayments of principal on any borrowings made by the Fund under a leverage borrowing program are senior to the rights of Common Shareholders and the holders of Preferred Shares with respect to the payment of dividends or upon liquidation. The Fund may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or Preferred Shares, unless at the time thereof the Fund meets certain asset coverage requirements and no event of default exists under any leverage program. In addition, the Fund may not be permitted to pay dividends on Common Shares unless all dividends on the Preferred Shares and/or accrued interest on borrowings have been paid, or set aside for payment. In an event of default under a leverage borrowing program, the lenders may have the right to cause a liquidation of collateral (i.e., sell securities and other assets of the Fund) and, if any such default is not cured, the lenders may be able to control the liquidation as well. Certain types of leverage may result in the Fund being subject to covenants relating to asset coverage and Fund composition requirements. Generally, covenants to which the Fund may be subject include affirmative covenants, negative covenants, financial covenants, and investment covenants. See “Use of Leverage.”

The Fund also may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for the Preferred Shares or other senior securities issued by the Fund. These guidelines may impose asset coverage or Fund composition requirements that are more stringent than those imposed by the 1940 Act.

While the Fund may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and NAV associated with leverage, there can be no assurance that the Fund will actually reduce leverage in the future or that any reduction, if undertaken, will benefit the Common Shareholders. Changes in the future direction of interest rates are very difficult to predict accurately. If the Fund were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely operate to reduce the income and/or total returns to Common Shareholders relative to the circumstance if the Fund had not reduced leverage. The Fund may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and Common Share price if the prediction were to turn out to be correct, and determine not to reduce leverage as described above.

Non-U.S. Securities Risk

The Fund may invest a portion of its assets in securities of non-U.S. issuers. Investing in securities of non-U.S. issuers, which are generally denominated in non-U.S. currencies, may involve certain risks not typically associated with investing in securities of U.S. issuers. These risks include: (i) there may be less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; (ii) non-U.S. markets may be smaller, less liquid and more volatile than the U.S. market; (iii) potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund’s investments; (iv) the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; (v) the impact of economic, political, social or diplomatic events; (vi) certain non-U.S. countries may impose restrictions on the ability of non-U.S. issuers to make payments of principal and interest to investors located in the United States due to blockage of non-U.S. currency exchanges or otherwise; and (vii) withholding and other non-U.S. taxes may decrease the Fund’s return. Foreign companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies. In addition, there may be difficulty in obtaining or enforcing a court judgment abroad.

Loans involving foreign borrowers may involve risks not ordinarily associated with exposure to loans to U.S. entities and individuals. The foreign lending industry may be subject to less governmental supervision and regulation than exists in the U.S.; conversely, foreign regulatory regimes applicable to the lending industry may be more complex and more restrictive than those in the U.S., resulting in higher costs associated with such investments, and such regulatory regimes may be subject to interpretation or change without prior notice to investors, such as the Fund. Foreign lending may not be subject to accounting, auditing, and financial reporting standards and practices comparable to those in the U.S. Due to differences in legal systems, there may be difficulty in obtaining or enforcing a court judgment outside the U.S. For example, bankruptcy laws may differ across the
Emerging Markets Risk

Investing in emerging market countries, as compared to foreign developed markets, involves substantial additional risk due to more limited information about the issuer and/or the security (including limited financial and accounting information); higher brokerage costs; different accounting, auditing and financial reporting standards; less developed legal systems and thinner trading markets; the possibility of currency blockages or transfer restrictions; an emerging market country’s dependence on revenue from particular commodities or international aid; and the risk of expropriation, nationalization or other adverse political or economic developments.

Emerging market countries may lack the social, political and economic stability and characteristics of more developed countries, and their political and economic structures may undergo unpredictable, significant and rapid changes from time to time, any of which could adversely impact the value of investments in emerging markets as well as the availability of additional investments in such markets. Some of these countries have in the past failed to recognize private property rights and have at times nationalized or expropriated the assets of private companies. The securities markets of emerging market countries may be substantially smaller, less developed, less liquid and more volatile than the major securities markets in the United States and other developed nations, and the Fund may be required to establish special custodial or other arrangements before transacting in securities traded in emerging markets. The limited size of these securities markets and the limited trading volume of securities issued by emerging market issuers could cause prices to be erratic and investments in emerging markets can become illiquid. As a result of the foregoing risks, it may be difficult to assess the value or prospects of an investment in such securities.

In addition, emerging market countries’ exchanges and broker-dealers may generally be subject to less regulation than their counterparts in developed countries. Brokerage commissions and dealer mark-ups, custodial expenses and other transaction costs are generally higher in emerging market countries than in developed countries. As a result, funds that invest in emerging market countries may have operating expenses that are higher than funds investing in other securities markets. Emerging market countries also may have different clearance and settlement procedures than in the U.S., including significantly longer settlement cycles for purchases and sales of securities, and in certain markets there may be times when settlements fail to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Further, satisfactory custodial services for investment securities may not be available in some emerging market countries, which may result in the Fund incurring additional costs and delays in transporting and custodying such securities outside such countries. Delays in settlement or other problems could result in periods when the Fund’s assets are uninvested and no return is earned thereon. The Fund’s inability to make intended security purchases due to settlement problems or the risk of intermediary counterparty failures could cause the Fund to miss attractive investment opportunities. The inability to dispose of a portfolio security due to settlement problems could result either in losses to the Fund due to subsequent declines in the value of such portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser.

The currencies of certain emerging market countries have experienced devaluations relative to the U.S. dollar, and future devaluations may adversely affect the value of assets denominated in such currencies. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation or deflation for many years, and future inflation may adversely affect the economies and securities markets of such countries. When debt and similar obligations issued by foreign issuers are denominated in a currency (e.g., the U.S. dollar or the Euro) other than the local currency of the issuer, the subsequent strengthening of the non-local currency against the local currency will generally increase the burden of repayment on the issuer and may increase significantly the risk of default by the issuer. Emerging market countries have and may in the future impose capital controls, foreign currency controls and repatriation controls. In addition, some currency hedging techniques may be unavailable in emerging market countries, and the currencies of emerging market countries may experience greater volatility in exchange rates as compared to those of developed countries.

Foreign Currency Risk

Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of the Fund’s investments. Currency exchange rates fluctuate significantly for many reasons, including changes in supply and demand in the currency exchange markets, actual or perceived changes in interest rates, intervention (or the failure to intervene) by U.S. or foreign governments, central banks, or supranational agencies such as the International Monetary Fund, and currency controls or other political and economic developments in the U.S. or abroad.
Common Stock and Warrants Risk

The Fund may hold common stocks and warrants to purchase common stocks. Common stocks and warrants have a subordinate claim on an issuer’s assets as compared with debt securities. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock or warrant held by the Fund. In addition, the prices of common stocks and warrants are sensitive to general movements in the stock market, and a drop in the stock market may depress the prices of common stocks and warrants to which the Fund has exposure. Common stock and warrant 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 rising interest rates, as the cost of capital rises and borrowing costs increase. The value of the common stocks and warrants in which the Fund may invest will be affected by changes in the stock markets generally, which may be the result of domestic or international political or economic news, changes in interest rates or changing investor sentiment. At times, stock markets can be volatile and stock prices can change substantially. The common stocks and warrants of smaller companies are more sensitive to these changes than those of larger companies. Common stock and warrant risk will affect the Fund’s NAV per share, which will fluctuate as the value of the securities held by the Fund changes.

Liquidity Risk

Liquidity risk is the risk that the Fund may invest in securities that trade in lower volumes and may be less liquid than other investments or that the Fund’s investments may become less liquid in response to market developments or adverse investor perceptions. Illiquidity may be the result of, for example, low trading volumes, lack of a market maker, or contractual or legal restrictions that limit or prevent the Fund from selling securities or closing positions. When there is no willing buyer and investments cannot be readily sold or closed out, the Fund may have to sell an investment at a lower price than the price at which the Fund is carrying the investments or may not be able to sell the investments at all, each of which would have a negative effect on the Fund’s performance and may cause the Fund to hold an investment longer than the Advisor would otherwise determine. It is possible that the Fund may be unable to sell a portfolio investment at a desirable time or at the value the Fund has placed on the investment or that the Fund may be forced to sell large amounts of securities more quickly than it normally would in the ordinary course of business. In such a case, the sale proceeds received by the Fund may be substantially less than if the Fund had been able to sell the securities in more-orderly transactions, and the sale price may be substantially lower than the price previously used by the Fund to value the securities for purposes of determining the Fund’s NAV. In addition, if the Fund sells investments with extended settlement times (e.g., Senior Loans), the settlement proceeds from the sales will not be available to the Fund for a substantial period of time. The Fund may be forced to sell other investment positions with shorter settlement cycles when the Fund would not otherwise have done so, which may adversely affect the Fund’s performance. Additionally, the market for certain investments may become illiquid under adverse market or economic conditions (e.g., if interest rates rise or fall significantly, if there is significant inflation or deflation, increased selling of debt securities generally across other funds, pools and accounts, changes in investor perception, or changes in government intervention in the financial markets) independent of any specific adverse changes in the conditions of a particular issuer. In such cases, shares of the Fund, due to the difficulty in purchasing and selling such securities or instruments, may decline in value or the Fund may be unable to achieve its desired level of exposure to a certain issuer or sector. During periods of substantial market disruption, a large portion of the Fund’s assets could potentially experience significant levels of illiquidity. The values of illiquid investments are often more volatile than the values of more liquid investments. It may be more difficult for the Fund to determine a fair value of an illiquid investment than those of more liquid comparable investments. Bond markets have consistently grown over the past three decades while the growth of capacity for traditional dealer counterparties to engage in fixed income trading has not kept pace and in some cases has decreased. As a result, dealer inventories of certain types of bonds and similar instruments, which provide a core indication of the ability of financial intermediaries to “make markets,” are at or near historic lows in relation to market size. Because market makers provide stability to a market through their intermediary services, the significant reduction in dealer inventories could potentially lead to decreased liquidity and increased volatility in the fixed income markets. Such issues may be exacerbated during periods of economic uncertainty.

Risks of Investing in Derivative Transactions

Investing in derivative transactions has risks, including the imperfect correlation between the value of such instruments and the underlying asset, rate or index, which creates the possibility that the loss on such instruments may be greater than the gain in the value of the underlying asset, rate or index; the loss of principal; the possible default of the other party to the transaction; and illiquidity of the derivative investments. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding, or may not recover at all. In addition, in the event of the insolvency of a counterparty to a derivative transaction, the derivative contract would typically be terminated at its fair market value. If the Fund is owed this fair market value in the termination of the derivative contract and its claim is unsecured, the Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying security. Certain of the derivative investments in which the Fund may invest may, in certain circumstances, give rise to a form of financial leverage, which may magnify the risk of owning such instruments. The ability to successfully use derivative investments depends

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on the ability of the Advisor to predict pertinent market movements, which cannot be assured. In addition, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to the Fund’s derivative investments would not be available to the Fund for other investment purposes, which may result in lost opportunities for gain.

The SEC recently re-proposed rules governing the use of derivatives by registered investment companies, which could affect the nature and extent of derivatives used by the Fund. Such rules have not yet been adopted and therefore the full extent of the rules and their ultimate impact on the Fund is uncertain at this time.

**Swaps Risk**

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 specified securities, indexes, reference rates, currencies or other instruments. Most swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). The Fund’s obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each counterparty. Swap agreements are particularly subject to counterparty credit, liquidity, valuation, correlation and leverage risk. Certain standardized swaps are now subject to mandatory central clearing requirements and others are now required to be exchange-traded. While central clearing and exchange-trading are intended to reduce counterparty and liquidity risk, they do not make swap transactions risk-free. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected.

**Total Return Swaps Risk**

Total return swaps are contracts in which one party agrees to make payments of the total return from the underlying asset(s), which may include securities, derivatives or indices, during the specified period in return for payments equal to a fixed or floating rate of interest or the total return from other underlying asset(s). The Fund anticipates that, under its total return swaps, if any, it will pay the counterparty a regular, set payment at an agreed rate of return and, in return, will receive a payment which is equal to the performance of the underlying assets. Total return swaps are subject to the risk that a counterparty will default on its payment obligations. In the event that the performance of the relevant assets is less than the agreed rate, the Fund will be required to make further payments to the total return swap counterparty in respect of such shortfalls. The Fund will not be able to replicate exactly the performance of the relevant underlying assets because the total return generated by the Fund’s investment in a total return swap will be reduced by certain costs and expenses. In addition, total return swaps may effectively add leverage to the Fund’s portfolio because the Fund would be subject to investment exposure on the full notional amount of the swap. See “—Leverage Risk.”

**Credit Default Swaps Risk**

The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract, provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or “par value,” of the reference obligation through either physical settlement or cash settlement. The Fund may be either the buyer or seller in a credit default swap transaction. If the Fund is a buyer and no event of default occurs, the Fund will have made a series of periodic payments and recover nothing of monetary value. However, if an event of default occurs, the Fund (if the buyer) will receive the full notional value of the reference obligation through a cash payment in exchange for the asset or, alternatively, a cash payment representing the difference between the expected recovery rate and the full notional value. As a seller, the Fund receives a fixed rate of income throughout the term of the contract, which typically is between six months and five years, provided that there is no event of default. The sale of a credit default swap effectively creates leverage and subjects the Fund to the risks described under “—Leverage Risk.” The Fund currently intends to segregate assets on the Fund’s records in the form of cash, cash equivalents or liquid securities in an amount equal to the notional value of the credit default swaps of which it is the seller. If such assets are not fully segregated by the Fund, the use of credit default swap transactions could then be considered leverage for purposes of the 1940 Act. Asset segregation affects the regulatory treatment but does not diminish the effective leverage in such instruments. Credit default swap transactions involve greater risks than if the Fund had invested in the reference obligation directly. In addition to general market risk, credit default swaps are subject to illiquidity risk, counterparty risk and credit risk.

**Unrated Securities Risk**

Unrated securities (which are not rated by a rating agency) may be less liquid than comparable rated securities and involve the risk that the Advisor may not accurately evaluate the security’s comparative credit rating and value. To the extent that the Fund invests in unrated securities, the Fund’s success in achieving its investment objective may depend more heavily on the creditworthiness analysis by the Advisor than if the Fund invested exclusively in rated securities. Some or all of the unrated instruments in which the Fund may invest will involve credit risk comparable to or greater than that of rated debt securities of below investment grade quality.
Valuation Risk

When market quotations are not readily available or are deemed to be unreliable, the Fund values its investments at fair value as determined in good faith pursuant to policies and procedures approved by the Board of Trustees. See “Net Asset Value.” Fair value pricing may require subjective determinations about the value of a security or other asset. As a result, there can be no assurance that fair value pricing will result in adjustments to the prices of securities or other assets, or that fair value pricing will reflect actual market value, and it is possible that the fair value determined for a security or other asset will be materially different from quoted or published prices, from the prices used by others for the same security or other asset and/or from the value that actually could be or is realized upon the sale of that security or other asset.

Market Disruption and Geopolitical Risk

Various market risks can affect the price or liquidity of an issuer’s securities in which the Fund may invest. Returns from the securities in which the Fund invests may underperform returns from the various general securities markets. Different types of securities tend to go through cycles of outperformance and underperformance in comparison to the general securities markets. Adverse events occurring with respect to an issuer’s performance or financial position can depress the value of the issuer’s securities. The liquidity in a market for a particular security will affect its value and may be affected by factors relating to the issuer, as well as the depth of the market for that security. Other market risks that can affect value include a market’s current attitudes about types of securities, market reactions to political or economic events, including litigation, and tax and regulatory effects (including lack of adequate regulations for a market or particular type of instrument). During periods of severe market stress, it is possible that the market for certain investments held by the Fund, such as high yield bonds and loans, may become highly illiquid. In such an event, the Fund may find it difficult to sell the investments it holds, and, for those investments it is able to sell in such circumstances, the sale price may be significantly lower than, and the trade settlement period may be longer than, anticipated.

Markets may, in response to governmental actions or intervention, political, economic or market developments, or other external factors, experience periods of high volatility and reduced liquidity. During those periods, the Fund may have to sell securities at times when it would otherwise not do so, and potentially at unfavorable prices. Securities may be difficult to value during such periods. These risks may be heightened for fixed income securities due to the current low interest rate environment.

The United States and other governments and the Federal Reserve and certain foreign central banks have taken steps to support financial markets. For example, governmental financial regulators, including the U.S. Federal Reserve, have taken steps to maintain historically low interest rates, such as by purchasing bonds. Steps by those regulators, including, for example, steps to reverse, withdraw, curtail or taper such activities, could have a material adverse effect on prices for the Fund’s portfolio of investments and on the management of the Fund. The withdrawal of support, failure of efforts in response to a financial crisis, or investor perception that those efforts are not succeeding could negatively affect financial markets generally as well as the values and liquidity of certain securities. Federal, state, and other governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests or the issuers of such securities in ways that are unforeseeable. Legislation or regulation also may change the way in which the Fund or the Advisor are regulated. Such legislation, regulation, or other government action could limit or preclude the Fund’s ability to achieve its investment objective and affect the Fund’s performance.

Political, social or financial instability, civil unrest and acts of terrorism are other potential risks that could adversely affect an investment in a security or in markets or issuers generally. In addition, political developments in foreign countries or the United States may at times subject such countries to sanctions from the U.S. government, foreign governments and/or international institutions that could negatively affect the Fund’s investments in issuers located in, doing business in or with assets in such countries.

Global economies and financial markets are also becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.

Credit Rating Agency Risk

Credit ratings are determined by credit rating agencies such as S&P, Moody’s and Fitch, and are only the opinions of such entities. Ratings assigned by a rating agency are not absolute standards of credit quality and do not evaluate market risk or the liquidity of securities. Any shortcomings or inefficiencies in credit rating agencies’ processes for determining credit ratings may adversely affect the credit ratings of securities held by the Fund and, as a result, may adversely affect those securities’ perceived or actual credit risk.
Senior Loan Agent Risk

Senior Loans generally are negotiated between a borrower and several financial institution lenders represented by one or more lenders acting as agent of all the lenders. A financial institution’s employment as an agent under a Senior Loan might be terminated in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent would generally be appointed to replace the terminated agent, and assets held by the agent under the loan agreement would likely remain available to holders of such indebtedness. However, if assets held by the terminated agent for the benefit of the Fund were determined to be subject to the claims of the agent’s general creditors, the Fund might incur certain costs and delays in realizing payment on a Senior Loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (e.g., an insurance company or government agency), similar risks may arise.

Inflation/Deflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with the Fund’s use of leverage would likely increase, which would tend to further reduce returns to Common Shareholders. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer defaults more likely, which may result in a decline in the value of the Fund’s portfolio.

Duration Risk

Duration is the sensitivity, expressed in years, of the price of a fixed income security to changes in the general level of interest rates (or yields). Securities with longer durations tend to be more sensitive to interest rate (or yield) changes than securities with shorter durations. In general, each year of duration represents an expected 1% change in the value for every 1% immediate change in interest rates (or yields). For example, if a portfolio of debt securities has an average duration of three years, its value can be expected to fall about 3% if interest rates (or yields) rise by 1%. Conversely, the portfolio’s value can be expected to rise about 3% if interest rates (or yields) fall by 1%. As the value of a security changes over time, so will its duration. Duration differs from maturity in that it considers potential changes to interest rates, and a security’s coupon payments, yield, price and par value and call features, in addition to the amount of time until the security matures. The duration of a security will be expected to change over time with changes in market factors and time to maturity.

Illiquid/Restricted Securities Risk

The Fund may invest in securities that, at the time of investment, are illiquid (determined using the SEC’s standard applicable to registered investment companies, i.e., securities that cannot be disposed of by the Fund within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the securities). The Fund may also invest in restricted securities. Investments in restricted securities could have the effect of increasing the amount of the Fund’s assets invested in illiquid securities if qualified institutional buyers are unwilling to purchase these securities. Illiquid and restricted securities may be difficult to dispose of at a fair price at the times when the Fund believes it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the Fund pays for or recovers upon the sale of such securities. Illiquid and restricted securities are also more difficult to value, especially in challenging markets. The Advisor’s judgment may play a greater role in the valuation process. Investment of the Fund’s assets in illiquid and restricted securities may restrict the Fund’s ability to take advantage of market opportunities. The risks associated with illiquid and restricted securities may be particularly acute in situations in which the Fund’s operations require cash and could result in the Fund borrowing to meet its short-term needs or incurring losses on the sale of illiquid or restricted securities. In order to dispose of an unregistered security, the Fund, where it has contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered, therefore enabling the Fund to sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and acquiror of the securities. In either case, the Fund would bear market risks during that period.

Potential Conflicts of Interest Risk

The Advisor and the portfolio managers have interests which may conflict with the interests of the Fund. In particular, the Advisor advises other investment funds or accounts with the same or substantially similar investment objective(s) and strategies as the Fund. As a result, the Advisor and the Fund’s portfolio managers may devote unequal time and attention to the management of the Fund and those other funds and accounts, and may not be able to formulate as complete a strategy or identify equally attractive investment opportunities as might be the case if they were to devote substantially more attention to the management of the Fund. The Advisor and the Fund’s portfolio managers may identify a limited investment opportunity that may be suitable for multiple funds and accounts, and the opportunity may be allocated among these several funds and accounts, which may limit the Fund’s ability to take full advantage of the investment opportunity. Additionally, transaction orders may be aggregated for multiple
accounts for purposes of execution, which may cause the price or brokerage costs to be less favorable to the Fund than if similar transactions were not being executed concurrently for other accounts. At times, a portfolio manager may determine that an investment opportunity may be appropriate for only some of the funds and accounts for which he or she exercises investment responsibility, or may decide that certain of the funds and accounts should take differing positions with respect to a particular security. In these cases, the portfolio manager may place separate transactions for one or more funds or accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment or benefit of one or more other funds and accounts. For example, a portfolio manager may determine that it would be in the interest of another account to sell a security that the Fund holds, potentially resulting in a decrease in the market value of the security held by the Fund.

To the extent that the Fund holds interests in an issuer that are different (or more senior or junior) than, or potentially adverse to, those held by other accounts managed by the Advisor, the Advisor may be presented with investment decisions where the outcome would benefit one account and would not benefit or would harm the other account. This may include, but is not limited to, an account investing in a different security of an issuer’s capital structure than another account, an account investing in the same security but on different terms than another account, an account obtaining exposure to an investment using different types of securities or instruments than another account, an account engaging in short selling of securities that another account holds long, an account voting securities in a different manner than another account, and/or an account acquiring or disposing of its interests at different times than another account. This could have a material adverse effect on, or in some instances could benefit, one or more of such accounts, including accounts that are affiliates of the Advisor, accounts in which the Advisor has an interest, or accounts which pay the Advisor higher fees or a performance fee. These transactions or investments by one or more accounts could dilute or otherwise disadvantage the values, prices, or investment strategies of such accounts. When the Advisor, on behalf of an account, manages or implements a portfolio decision ahead of, or contemporaneously with, portfolio decisions of another account, market impact, liquidity constraints, or other factors could result in such other account receiving less favorable pricing or trading results, paying higher transaction costs, or being otherwise disadvantaged. In addition, in connection with the foregoing, the Advisor, on behalf of an account, is permitted to pursue or enforce rights or actions, or refrain from pursuing or enforcing rights or actions, with respect to a particular issuer in which action could materially adversely affect such other account.

In addition, when the Fund and other accounts hold investments in the same issuer (including at the same place in the capital structure), the Fund may be prohibited by applicable law from participating in restructurings, work-outs or other activities related to its investment in the issuer. As a result, the Fund may not be permitted by law to make the same investment decisions as other accounts in the same or similar situations even if the Advisor believes it would be in the Fund’s best economic interests to do so. The Fund may be prohibited by applicable law from investing in an issuer (or an affiliate) that other accounts are also investing in or currently invest in even if the Advisor believes it would be in the best economic interests of the Fund to do so. Furthermore, entering into certain transactions that are not deemed prohibited by law when made may potentially lead to a condition that raises regulatory or legal concerns in the future. In some cases, to avoid the potential of future prohibited transactions, the Advisor may avoid allocating an investment opportunity to the Fund that it would otherwise recommend, subject to the Advisor’s then-current allocation policy and any applicable exemptions.

In certain circumstances, the Advisor may be restricted from transacting in a security or instrument because of material non-public information received in connection with an investment opportunity that is offered to the Advisor or an affiliate of the Advisor. In other circumstances, the Advisor will not participate in an investment opportunity to avoid receiving material non-public information that would restrict the Advisor from transacting in a security or instrument. These restrictions may adversely impact the Fund’s performance.

The portfolio managers may also engage in cross trades between funds and accounts, may select brokers or dealers to execute securities transactions based in part on brokerage and research services provided to the Advisor which may not benefit all funds and accounts equally and may receive different amounts of financial or other benefits for managing different funds and accounts. Finally, the Advisor or its affiliates may provide more services to some types of funds and accounts than others.

There is no guarantee that the policies and procedures adopted by the Advisor and the Fund will be able to identify or mitigate the conflicts of interest that arise between the Fund and any other investment funds or accounts that the Advisor may manage or advise from time to time. For further information on potential conflicts of interest, see “Investment Advisor” in the SAI.

In addition, while the Fund is using leverage, the amount of the fees paid to the Advisor for investment advisory and management services are higher than if the Fund did not use leverage because the fees paid are calculated based on the Fund’s Managed Assets, which include assets purchased with leverage. Therefore, the Advisor has a financial incentive to leverage the Fund, which may create a conflict of interest between the Advisor and the Common Shareholders of the Fund.
Anti-Takeover and Other Provisions in the Declaration and By-Laws

The Fund’s Declaration and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. These provisions could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over the then-current market price of the Common Shares. See “Certain Provisions in the Declaration of Trust and By-Laws.”

In addition, the Declaration contains provisions governing the bringing of claims or demands by shareholders against the Fund, including a forum selection provision and the waiver of jury trials to the fullest extent permitted by law. These provisions could have the effect of discouraging suits by shareholders or making them more costly to bring. If a demand is rejected in accordance with the Declaration, the complaining shareholders will be responsible, jointly and severally, for the costs and expenses (including attorneys’ fees) incurred by the Fund in connection with the consideration of the demand under a number of circumstances. In addition, if a court determines that a derivative action was made without reasonable cause or for an improper purpose, or if a derivative or direct action is dismissed on the basis of a failure to comply with the procedural provisions relating to shareholder actions as set forth in the Declaration, or if a direct action is dismissed by a court for failure to state a claim, the shareholders bringing the action may be jointly and severally responsible for the Fund’s costs, including attorneys’ fees.

The provisions of the Declaration provide that any direct or derivative action commenced by a shareholder must be brought only in the U.S. District Court for the District of Massachusetts (Boston Division) or if any such action may not be brought in that court, then in the Business Litigation Session of Suffolk Superior Court in Massachusetts (the “Chosen Courts”). Except as prohibited by applicable law, if a shareholder commences an applicable action in a court other than a Chosen Court, then such shareholder may be obligated to reimburse the Fund and any Trustee or officer of the Fund made party to such proceeding for the costs and expenses (including attorneys’ fees) incurred in connection with any successful motion to dismiss, stay or transfer of the action. The Declaration also provides that any shareholder bringing an action against the Fund waives the right to trial by jury to the fullest extent permitted by law.

The provisions of the Declaration, any By-laws of the Fund, including the procedures applicable to derivative claims, Chosen Courts, and waiver of jury trial, and any contract or agreement entered into by the Fund governed by applicable state law do not affect, waive or limit the rights of any shareholder with respect to any claims arising under any provision of the 1933 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”), or the 1940 Act, or any rule, regulation or order of the Securities and Exchange Commission thereunder. The provisions regarding Chosen Courts and waiver of jury trials, and any contract or agreement entered into by the Fund governed by applicable state law do not affect, waive or limit the rights of any shareholder with respect to any claims arising under any provision of the 1933 Act, the Securities Exchange Act of 1934, as amended (the “1934 Act”), or the 1940 Act, or any rule, regulation or order of the Securities and Exchange Commission thereunder. The provisions regarding Chosen Courts and waiver of jury trials limit a shareholder’s right to bring claims against the Fund in a court a shareholder might deem preferable. A court may not choose to enforce these provisions. See “Certain Provisions in the Declaration of Trust and By-Laws.”

OTHER RISKS RELATING TO THE FUND

Technology Risk

As the use of Internet technology has become more prevalent, the Fund and its service providers and markets generally have become more susceptible to potential operational risks related to intentional and unintentional events that may cause the Fund or a service provider to lose proprietary information, suffer data corruption or lose operational capacity. There can be no guarantee that any risk management systems established by the Fund, its service providers, or issuers of the securities in which the Fund invests to reduce technology and cyber security risks will succeed, and the Fund cannot control such systems put in place by service providers, issuers or other third parties whose operations may affect the Fund.

Cyber Security Risk

The Fund and its service providers are susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that the Fund and its service providers use to service the Fund’s operations; or operational disruption or failures in the physical infrastructure or operating systems that support the Fund and its service providers. Cyber-attacks against or security breakdowns of the Fund or its service providers may adversely impact the Fund and its shareholders, potentially resulting in, among other things, financial losses; the inability of Fund shareholders to transact business and the Fund to process transactions; inability to calculate the Fund’s NAV; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Fund may incur additional costs for cyber security risk management and remediation purposes. In addition, cyber security risks may also impact issuers of securities in which the Fund invests, which may cause the Fund’s investment in such issuers to lose value. There can be no assurance that the Fund or its service providers will not suffer losses relating to cyber-attacks or other information security breaches in the future.
Portfolio Turnover Risk

The Fund’s annual portfolio turnover rate may vary from year to year, as well as within a given year. Although the Fund cannot accurately predict its annual portfolio turnover rate, it is initially anticipated to be between 35% and 75% under normal circumstances. High portfolio turnover may result in the realization of net short-term capital gains by the Fund which, when distributed to Common Shareholders, will be taxable as ordinary income. A high portfolio turnover may increase the Fund’s expenses as well as current and accumulated earnings and profits, resulting in a greater portion of the Fund’s distributions being treated as a dividend to the Fund’s Common Shareholders. However, portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Fund. See “Federal Tax Matters.”

Earnings Risk

The Fund’s limited term may cause it to invest in lower yielding securities or hold the proceeds of securities sold near the end of its term in cash or cash equivalents, which may adversely affect the performance of the Fund or the Fund’s ability to maintain its dividend.

Tax Risks

The Fund intends to elect to be treated and to qualify each year as a “regulated investment company” (a “RIC”) under the Internal Revenue Code of 1986, as amended (the “Code”). As a RIC, the Fund is not expected to be subject to U.S. federal income tax to the extent that it distributes its investment company taxable income and net capital gains. To qualify for the special tax treatment available to a RIC, the Fund must comply with certain investment, distribution, and diversification requirements. Under certain circumstances, the Fund may be forced to sell certain assets when it is not advantageous in order to meet these requirements, which may reduce the Fund’s overall return. If the Fund fails to meet any of these requirements, subject to the opportunity to cure such failures under applicable provisions of the Code, the Fund’s income would be subject to a double level of U.S. federal income tax. The Fund’s income, including its net capital gain, would first be subject to U.S. federal income tax at regular corporate rates, even if such income were distributed to shareholders and, second, all distributions by the Fund from earnings and profits, including distributions of net capital gain (if any), would be taxable to shareholders as dividends. See “Federal Tax Matters.”

Temporary Defensive Strategies Risk

When the Advisor anticipates unusual market or other conditions, the Fund may temporarily depart from its principal investment strategies as a defensive measure and invest all or a portion of its Managed Assets in cash or cash equivalents or accept lower current income from short-term investments rather than investing in high yielding long-term securities. In such a case, Common Shareholders of the Fund may be adversely affected and the Fund may not pursue or achieve its investment objective.

Secondary Market for the Fund’s Common Shares

The issuance of Common Shares through the Fund’s dividend reinvestment plan may have an adverse effect on the secondary market for the Fund’s Common Shares. The increase in the number of outstanding Common Shares resulting from issuances pursuant to the Fund’s dividend reinvestment plan and the discount to the market price at which such Common Shares may be issued may put downward pressure on the market price for the Common Shares. Common Shares will not be issued pursuant to the dividend reinvestment plan at any time when Common Shares are trading at a lower price than the Fund’s NAV per Common Share. When the Fund’s Common Shares are trading at a premium, the Fund may also issue Common Shares that may be sold through private transactions effected on the NYSE or through broker-dealers. The increase in the number of outstanding Common Shares resulting from these offerings may put downward pressure on the market price for Common Shares.

MANAGEMENT OF THE FUND

Trustees and Officers

General oversight of the duties performed by the Advisor is the responsibility of the Board of Trustees. There are five Trustees of the Fund, one of whom is an “interested person” (as defined in the 1940 Act) and four of whom are not “interested persons.” The names and business addresses of the Trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under “Management of the Fund” in the SAI.

Investment Advisor

First Trust Advisors L.P., 120 East Liberty Drive, Wheaton, Illinois 60187, is the investment adviser to the Fund. First Trust Advisors L.P. serves as investment adviser or portfolio supervisor to investment portfolios with approximately $127 billion in assets which it managed or supervised as of April 30, 2020.
First Trust Advisors L.P. will be responsible for the day-to-day management of the Fund’s portfolio, managing the Fund’s business affairs and providing certain clerical, bookkeeping and other administrative services.

First Trust Advisors L.P. is an Illinois limited partnership formed in 1991 and an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. First Trust Advisors L.P. has one limited partner, Grace Partners of DuPage L.P. (“Grace Partners”), and one general partner, The Charger Corporation. Grace Partners is a limited partnership with one general partner, The Charger Corporation, and a number of limited partners. Grace Partners’ and The Charger Corporation’s primary business is investment advisory and broker-dealer services through their ownership interests. The Charger Corporation is an Illinois corporation controlled by James A. Bowen, Chief Executive Officer of the Advisor. First Trust Advisors L.P. is controlled by Grace Partners and The Charger Corporation.

William Housey, CFA, Senior Portfolio Manager, Orlando Purpura, CFA, Co-Portfolio Manager, and Jeffrey Scott, CFA, Co-Portfolio Manager, will be responsible for implementing portfolio management decisions for the Fund.

William Housey, CFA — Managing Director of Fixed Income, Senior Portfolio Manager. Mr. Housey joined First Trust Advisors L.P. in June 2010 as the Senior Portfolio Manager for the Leveraged Finance Investment Team and has 24 years of investment experience. Mr. Housey is a Managing Director of Fixed Income and is also a member of the First Trust Strategic Model Investment Committee and the Fixed Income Sub-Committee. Prior to joining First Trust, Mr. Housey was at Morgan Stanley Investment Management and its wholly owned subsidiary, Van Kampen Funds, Inc., for 11 years where he last served as Executive Director and Co-Portfolio Manager. Mr. Housey has extensive experience in the portfolio management of both leveraged and unleveraged credit products, including senior loans, high yield bonds, credit derivatives and corporate restructurings. Mr. Housey received a B.S. in Finance from Eastern Illinois University and an M.B.A. in Finance as well as Management and Strategy from Northwestern University’s Kellogg School of Business. He also holds the FINRA Series 7, Series 52 and Series 63 licenses. Mr. Housey also holds the Chartered Financial Analyst designation. He is a member of the CFA Institute and the CFA Society of Chicago. Mr. Housey also serves on the Village of Glen Ellyn, IL Police Pension Board.

Orlando Purpura, CFA, CMT — Senior Vice President, Chief Credit Officer, Portfolio Manager. Mr. Purpura joined First Trust Advisors L.P. in May 2013 as Chief Credit Officer and Portfolio Manager for the Leveraged Finance Investment Team and has 30 years of investment industry experience. Mr. Purpura is also a member of the First Trust Strategic Model Fixed Income Sub-Committee. Prior to joining First Trust, Mr. Purpura was at Allstate Investments LLC where he served as Portfolio Manager in the Equity Special Situations Group that invested in the public equity of companies in various stages of distress. Additionally, he also was a Portfolio Manager in the Private Placement Group where he completed corporate restructurings and workouts for troubled credits held in the investment portfolio. Prior to Allstate Investments, Mr. Purpura was a founding partner at Tall Tree Investment Management LLC, an institutional money manager that focuses on Senior Secured Bank Loans in structured finance vehicles. Before moving to Tall Tree, Mr. Purpura was a Senior Distressed Debt Analyst and Workout specialist at Van Kampen Investments where he specialized in leading the credit oversight and trading strategy for workouts and restructurings across various industries. In the early 1990s, Mr. Purpura began his credit career at Sanwa Business Credit Corporation that specialized in below investment grade non-traditional lending and leasing. Mr. Purpura received a B.S. in Finance from Elmhurst College and an M.B.A. in Finance from DePaul University. Mr. Purpura holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago. He also holds the Chartered Market Technician designation and is a member of the Market Technicians Association, Chicago Chapter.

Jeffrey Scott, CFA — Senior Vice President, Deputy Credit Officer, Portfolio Manager. Mr. Scott is Deputy Credit Officer and Portfolio Manager for the Leveraged Finance Investment Team at First Trust Advisors L.P. He has 30 years of experience in the investment management industry and has extensive experience in credit analysis, product development, and product management. Prior to joining First Trust, Mr. Scott served as an Assistant Portfolio Manager and as a Senior Credit Analyst for Morgan Stanley/Van Kampen from October 2008 to June 2010. As Assistant Portfolio Manager, Mr. Scott served on a team that managed over $4.0 billion of Senior Loan assets in three separate funds: Van Kampen Senior Loan Fund; Van Kampen Senior Income Trust; and Van Kampen Dynamic Credit Opportunities Fund. His responsibilities included assisting with portfolio construction, buy and sell decision making, and monitoring fund liquidity and leverage. Mr. Scott earned a B.S. in Finance and Economics from Elmhurst College and an M.B.A. with specialization in Analytical Finance and Econometrics and Statistics from the University of Chicago. He also holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the CFA Society of Chicago.

For additional information about the Advisor, including a description of the services provided and additional information about the Fund’s portfolio managers, including portfolio managers’ compensation, other accounts managed by the portfolio managers and the portfolio managers’ ownership of Fund shares, see “Investment Advisor” in the SAI.

Investment Management Agreement

Pursuant to an investment management agreement between the Advisor and the Fund, the Fund has agreed to pay a fee for the services and facilities provided by the Advisor at the annual rate of 1.35% of Managed Assets.
For purposes of calculating the management fee, the Fund’s “Managed Assets” means the average daily gross asset value of the Fund (which includes assets attributable to the Fund’s Preferred Shares, if any, and the principal amount of any borrowings or commercial paper or notes issued by the Fund), minus the sum of the Fund’s accrued and unpaid dividends on any outstanding Preferred Shares and accrued liabilities (other than the principal amount of any borrowings of money incurred or of commercial paper or notes issued by the Fund). For purposes of determining Managed Assets, the liquidation preference of the Preferred Shares would not be treated as a liability, and the Fund’s derivative investments will be valued at their market value, as opposed to their notional value.

In addition to the management fee, the Fund pays all other costs and expenses of its operations including the compensation of its Trustees (other than those affiliated with the Advisor), custodian, transfer agency, administrative, accounting and dividend disbursing expenses, legal fees, leverage expenses, rating agency fees, listing fees and expenses, expenses of independent auditors, expenses of repurchasing Common Shares, expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies and taxes, if any.

Because the fee paid to the Advisor will be calculated on the basis of the Fund’s Managed Assets, which include the proceeds of leverage, the dollar amount of its management fees will be higher (and the Advisor will be benefited to that extent) when leverage is utilized. In this regard, if the Fund uses leverage in the amount equal to 30% of the Fund’s Managed Assets (after the issuance of leverage), the Fund’s management fee would be 1.93% of net assets attributable to Common Shares.

A discussion regarding the basis for approval by the Board of Trustees of the Fund’s investment management agreement with the Advisor will be available in the Fund’s Semi-Annual Report to Shareholders for the period ended November 30, 2020.

**NET ASSET VALUE**

The NAV of the Common Shares of the Fund will be computed based upon the value of the Fund’s portfolio securities and other assets. The NAV will be determined as of the close of regular trading on the NYSE (normally 4:00 p.m. New York City time) on each day the NYSE is open for trading. Domestic debt securities and foreign securities will normally be priced using data reflecting the earlier closing of the principal markets for those securities. The Fund calculates NAV per Common Share by subtracting the Fund’s liabilities (including accrued expenses, dividends payable and any borrowings of the Fund) and the liquidation value of any outstanding Preferred Shares from the Fund’s Managed Assets (the value of the securities and other investments the Fund holds plus cash or other assets, including interest accrued but not yet received) and dividing the result by the total number of Common Shares outstanding.

The assets in the Fund’s portfolio will be valued daily in accordance with valuation procedures adopted by the Board of Trustees. The Advisor anticipates that a majority of the Fund’s assets will be valued using market information supplied by third parties. In the event that market quotations are not readily available, a pricing service does not provide a valuation for a particular asset, or the valuations are deemed unreliable, or if events occurring after the close of the principal markets for particular securities (e.g., domestic debt and foreign securities), but before the Fund values its assets, would call into doubt whether the market quotations or pricing service valuations represent fair value, the Fund may use a fair value method in good faith to value the Fund’s securities and investments. The use of fair value pricing by the Fund will be governed by valuation procedures established by the Fund’s Board of Trustees, and in accordance with the provisions of the 1940 Act.

The high yield debt securities in which the Fund may invest may not be listed on any securities exchange or board of trade. Senior Loans are typically bought and sold by institutional investors in individually negotiated private transactions that function in many respects like an over the counter secondary market, although typically no formal market-makers exist. Some Senior Loans have few or no trades, or trade infrequently, and information regarding a specific Senior Loan may not be widely available or may be incomplete. Accordingly, determinations of the market value of Senior Loans may be based on infrequent and dated information. Because there is less reliable, objective data available, elements of judgment may play a greater role in valuation of Senior Loans held by the Fund than for other types of assets held by the Fund.

Typically, Senior Loans and certain other high yield debt securities are valued using information provided by an independent third party pricing service. If the pricing service cannot or does not provide a valuation for a particular security (which is the case for most, if not all, unlisted investments) or such valuation is deemed unreliable, the Fund may value it at a fair value as determined in good faith under procedures established by the Board of Trustees, and in accordance with the provisions of the 1940 Act.

*Fair Value.* When applicable, fair value of securities of an issuer is determined by the Board of Trustees or a committee of the Board of Trustees or a designee of the Board of Trustees. In fair valuing the Fund’s investments, consideration is given to several factors, which may include, among others, the following:

- the fundamental business data relating to the issuer;
• an evaluation of the forces which influence the market in which the securities of the issuer are purchased and sold;
• the type, size and cost of the security;
• the financial statements of the issuer;
• the credit quality and cash flow of the issuer, based on the Advisor’s or external analysis;
• the information as to any transactions in or offers for the security;
• the price and extent of public trading in similar securities (or equity securities) of the issuer, or comparable companies;
• the coupon payments;
• the quality, value and saleability of collateral, if any, securing the security;
• the business prospects of the issuer, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer’s management;
• the prospects for the issuer’s industry, and multiples (of earnings and/or cash flow) being paid for similar businesses in that industry; and
• other relevant factors.

Other Securities. Securities for which the primary market is a national securities exchange are valued at the last reported sales price on the day of valuation. Listed securities for which no sale was reported on that date are valued at the mean between the most recent bid and asked prices. Securities traded on the over-the-counter market are valued at their closing bid prices. Valuation of short-term cash equivalent investments will be at amortized cost.

DISTRIBUTIONS

The Fund intends to distribute monthly all or a portion of its net investment income to Common Shareholders (after the payment of interest and/or dividends in connection with leverage). In addition, the Fund intends to distribute any net long-term capital gains, if any, to Common Shareholders as long-term capital gain dividends at least annually. The Fund’s initial monthly distribution is expected to be declared approximately 30 to 45 days after the completion of this offering and paid approximately 60 to 90 days after the completion of this offering, depending on market conditions. Unless an election is made to receive dividends in cash, Common Shareholders will automatically have their monthly distributions reinvested in Common Shares through the Fund’s dividend reinvestment plan. See “Dividend Reinvestment Plan” below.

Various factors will affect the level of the Fund’s income, including the asset mix, the average maturity of the Fund’s portfolio, the amount of leverage utilized by the Fund and the Fund’s use of hedging. The 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 the Fund for any particular monthly period may be more or less than the amount of income actually earned by the Fund during that period. Undistributed income will add to the Fund’s NAV and, correspondingly, distributions from undistributed income will decrease the Fund’s NAV. The Fund will continue to pay at least the percentage of its net investment income and any gains necessary to maintain its status as a RIC for U.S. federal income tax purposes. See “Federal Tax Matters.”

From time to time, portions of the Fund’s distributions may constitute a return of capital. A return of capital to Common Shareholders is a return of a portion of their original investment in the Fund and does not represent net income or profit. A return of capital would reduce a Common Shareholder’s tax basis in its Common Shares, which could result in higher taxes when the Common Shareholder sells such Common Shares. This may cause the Common Shareholder to owe taxes even if it sells Common Shares for less than the original purchase price of such Common Shares.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of its monthly distribution at any time upon notice to Common Shareholders.

DIVIDEND REINVESTMENT PLAN

If your Common Shares are registered directly with the Fund or if you hold your Common Shares with a brokerage firm that participates in the Fund’s dividend reinvestment plan (the “Plan”), unless you elect, by written notice to the Fund, to receive cash distributions, all dividends, including any capital gain dividends, on your Common Shares will be automatically reinvested by
Computershare Trust Company, N.A. (the “Plan Agent”), in additional Common Shares under the Plan. If you elect to receive cash distributions, you will receive all distributions in cash paid by check mailed directly to you by Computershare Inc., as dividend paying agent.

You are automatically enrolled in the Plan when you become a shareholder of the Fund. As a participant in the Plan, the number of Common Shares you will receive will be determined as follows:

1. If the Common Shares are trading at or above NAV at the time of valuation, the Fund will issue new shares at a price equal to the greater of (i) NAV per Common Share on that date or (ii) 95% of the market price on that date;

2. If Common Shares are trading below NAV at the time of valuation, the Plan Agent will receive the dividend or distribution in cash and will purchase Common Shares in the open market, on the NYSE or elsewhere, for the participants’ accounts. It is possible that the market price for the Common Shares may increase before the Plan Agent has completed its purchases. Therefore, the average purchase price per share paid by the Plan Agent may exceed the market price at that time of valuation, resulting in the purchase of fewer shares than if the dividend or distribution had been paid in Common Shares issued by the Fund. The Plan Agent will use all dividends and distributions received in cash to purchase Common Shares in the open market within 30 days of the valuation date except where temporary curtailment or suspension of purchases is necessary to comply with federal securities laws. Interest will not be paid on any uninvested cash payments.

You may elect to opt-out of or withdraw from the Plan at any time by giving written notice to the Plan Agent, or by telephone at (866) 340-1104, in accordance with such reasonable requirements as the Plan Agent and Fund may agree upon. If you withdraw or the Plan is terminated, you will receive a book entry statement for each whole share in your account under the Plan and you will receive a cash payment for any fraction of a share in your account. If you wish, the Plan Agent will sell your shares and send you the proceeds minus brokerage commissions incurred by the Plan Agent in selling your shares.

The Plan Agent maintains all Common Shareholders’ accounts in the Plan and gives written confirmation of all transactions in the accounts, including information you may need for tax records. Common Shares in your account will be held by the Plan Agent in non-certificated form. The Plan Agent will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to the Fund. Any proxy you receive will include all Common Shares you have received under the Plan.

There is no brokerage charge for reinvestment of your dividends or distributions in Common Shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open market purchases.

Automatically reinvesting dividends and distributions will not affect a Common Shareholder’s tax liability on those dividends and distributions. See “Federal Tax Matters.”

If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described above. Consult your financial advisor for more information.

Neither the Fund nor the Plan Agent shall be liable with respect to the Plan for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability: (i) arising out of failure to terminate any participant’s account upon such participant’s death prior to receipt of notice in writing of such death; and (ii) with respect to the prices at which Common Shares are purchased and sold for the participant’s account and the times such purchases and sales are made.

The Fund reserves the right to amend or terminate the Plan if in the judgment of the Board of Trustees the change is warranted. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. Additional information about the Plan may be obtained from the Plan Agent, Computershare Trust Company, N.A., P.O. Box 505000, Louisville, KY 40233-5000, with overnight correspondence being directed to Computershare Trust Company, N.A., P.O. Box 505000, Louisville, KY 40233-5000. Participants can also contact the Plan Agent through the Plan Agent’s website at www.computershare.com/investor or by telephone at (866) 340-1104.

DESCRIPTION OF SHARES

Common Shares

The Declaration authorizes the issuance of an unlimited number of Common Shares. The Common Shares being offered have a par value of $0.01 per share and, subject to the rights of the holders of Preferred Shares, if issued, have equal rights to the payment of dividends and the distribution of assets upon liquidation. The Common Shares being offered will, when issued, be fully
The holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Fund. After payment of the full amount of the liquidating distribution to which they are entitled, the purchase price per Preferred Share plus accrued and unpaid dividends, whether or not declared, before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, the purchase price per Preferred Share plus accrued and unpaid dividends, whether or not declared, before any distribution of assets is made to Common Shareholders.

The Fund intends to apply to list the Common Shares on the New York Stock Exchange. The trading or “ticker” symbol of the Common Shares is expected to be “FTHY.” The Fund intends to hold annual meetings of shareholders so long as the Common Shares are listed on a national securities exchange and such meetings are required as a condition to such listing. Any such meeting initially called to be held in any given calendar or fiscal year shall be deemed to be an annual meeting for that calendar or fiscal year, if so designated by the Board of Trustees, even if the actual date of the meeting is in a subsequent calendar or fiscal year, due to postponements, adjournments, delays or other similar events or circumstances. In the event that such a meeting is not held within such calendar or fiscal year if so required by the national securities exchange on which the Common Shares are listed, for whatever reason, a subsequent special meeting may be called by the Board of Trustees and held in lieu of such meeting with the same effect as if held within that year and such meeting shall be deemed to be an annual meeting.

Unlike open-end funds, closed-end funds like the Fund do not continuously offer shares and do not provide daily redemptions. Rather, if a shareholder determines to buy additional Common Shares or sell shares already held, the shareholder may do so by trading on the exchange through a broker or otherwise. Shares of closed-end investment companies may frequently trade on an exchange at prices lower than NAV. Shares of closed-end investment companies like the Fund have during some periods traded at prices higher than NAV and during other periods have traded at prices lower than NAV. Because the market value of the Common Shares may be influenced by such factors as dividend levels (which are in turn affected by expenses), dividend stability, portfolio credit quality, NAV, relative demand for and supply of such shares in the market, general market and economic conditions, and other factors beyond the control of the Fund, the Fund cannot assure you that Common Shares will trade at a price equal to or higher than NAV in the future. The Common Shares are designed primarily for long-term investors, and investors in the Common Shares should not view the Fund as a vehicle for trading purposes.

Preferred Shares

The Declaration provides that the Fund’s Board of Trustees may authorize and issue Preferred Shares with rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of the Common Shareholders. Common Shareholders have no preemptive right to purchase any Preferred Shares that might be issued.

The Fund may elect to issue Preferred Shares as part of its leverage strategy. See “Use of Leverage—Preferred Shares.” However, the Fund does not currently anticipate it will issue Preferred Shares within 12 months of the date of this prospectus. Although the terms of any Preferred Shares, including dividend rate, liquidation preference and redemption provisions, will be determined by the Board of Trustees, subject to applicable law and the Declaration, it is likely that the Preferred Shares will be structured to carry a relatively short-term dividend rate reflecting interest rates on short-term bonds, by providing for the periodic redetermination of the dividend rate at relatively short intervals through an auction, remarketing or other procedure. The Fund also believes that it is likely that the liquidation preference, voting rights and redemption provisions of the Preferred Shares will be similar to those stated below.

Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Fund, the holders of Preferred Shares will be entitled to receive a preferential liquidating distribution, which is expected to equal the original purchase price per Preferred Share plus accrued and unpaid dividends, whether or not declared, before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Fund.

Voting Rights. The 1940 Act requires that the holders of any Preferred Shares, voting separately as a single class, have the right to elect at least two trustees at all times. The remaining trustees will be elected by holders of Common Shares and Preferred Shares, voting together as a single class. In addition, subject to the prior rights, if any, of the holders of any other class of senior securities outstanding, the holders of any Preferred Shares have the right to elect a majority of the trustees of the Fund at any time that two years of dividends on any Preferred Shares are unpaid. The 1940 Act also requires that, in addition to any approval by shareholders that might otherwise be required, the approval of the holders of a majority of any outstanding Preferred Shares, voting separately as a class, would be required to: (i) adopt any plan of reorganization that would adversely affect the Preferred Shares; and (ii) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund’s subclassification as a closed-end investment company or changes in its fundamental investment restrictions. See “Certain Provisions in the Declaration of Trust and By-Laws.” As a result of these voting rights, the Fund’s ability to take any such actions may be impeded to the extent that there are any Preferred Shares outstanding. The Board of Trustees presently intends that, except as otherwise indicated in this prospectus and except as otherwise required by applicable law or the Declaration, holders of Preferred Shares will have equal voting rights with Common Shareholders (one vote per share, unless otherwise required by the 1940 Act) and will vote together with Common Shareholders as a single class.
trustees, the board of trustees may from time to time be increased or decreased. under the by-laws, the board of trustees is the fund or to convert the fund to open-end status. the number of trustees is currently five, but by action of two-thirds of the shares (or if the Trustee was elected or appointed with respect to a particular class, two-thirds of the outstanding shares of such class), or (b) the action of at least two-thirds of the remaining trustees. such provisions may work to delay a change in the majority of the Board of Trustees. the provisions of the declaration relating to the election and removal of Trustees may be amended only by a vote of two-thirds of the trustees then in office. the by-laws may be amended only by the board of trustees.

the declaration and by-laws include provisions that could limit the ability of other entities or persons to acquire control of the fund or to convert the fund to open-end status. the number of Trustees is currently five, but by action of two-thirds of the Trustees, the board of Trustees may from time to time be increased or decreased. under the by-laws, the board of Trustees is divided into three classes of Trustees serving staggered three-year terms, with the terms of one class expiring at each annual meeting of shareholders. if the fund issues preferred shares, the fund may establish a separate class for the trustees elected by the holders of the preferred shares. subject to applicable provisions of the 1940 act, vacancies on the board of Trustees may be filled by a majority action of the remaining Trustees. removal of a Trustee requires either (a) a vote of two-thirds of the outstanding shares (or if the Trustee was elected or appointed with respect to a particular class, two-thirds of the outstanding shares of such class), or (b) the action of at least two-thirds of the remaining trustees. such provisions may work to delay a change in the majority of the board of Trustees. the provisions of the declaration relating to the election and removal of Trustees may be amended only by a vote of two-thirds of the trustees then in office. the by-laws may be amended only by the board of Trustees.

the declaration generally requires a common shareholder vote only on those matters where the 1940 act or the fund’s listing with an exchange require a common shareholder vote, but otherwise permits the board of trustees to take action without seeking the consent of common shareholders. for example, the declaration gives the board of Trustees broad authority to approve most reorganizations between the fund and another entity, such as another closed-end fund, and the sale of all or substantially all of its assets without common shareholder approval if the 1940 act would not require such approval, and except as described in the paragraph below. the declaration further provides that the board of Trustees may amend the declaration in any respect without common shareholder approval, except as described in the paragraph below. the declaration, however, prohibits amendments that impair the exemption from personal liability granted in the declaration to persons who are or have been shareholders, trustees, officers or employees of the fund or that limit the rights to indemnification or insurance provided in the declaration with respect to actions or omissions of persons entitled to indemnification under the declaration prior to the amendment.

the declaration provides that the fund in ordinary circumstances will terminate on or about august 1, 2027. the fund’s board of Trustees may terminate the fund prior to this date. the declaration provides also that the fund’s term may be extended by the board of Trustees, without a vote of common shareholders, for one period of up to six months. in addition, although generally the Trustees may authorize most reorganizations or mergers between the fund and another entity, in the event that such a transaction would result in the shareholders of the fund becoming shareholders of another entity with a term and/or termination provisions inconsistent in any material respect with the term provisions described above in this paragraph, such transaction would require the affirmative vote or consent by holders of at least two-thirds of the shares outstanding and entitled to vote, provided, however, that if such transaction has been previously approved by the affirmative vote of two-thirds of the Trustees, then a vote of the majority of the outstanding voting securities as defined in the 1940 act (a “majority shareholder vote”) is required.
Generally, the Declaration requires the affirmative vote or consent by holders of at least two-thirds of the shares outstanding and entitled to vote, except as described below, to authorize (1) a conversion of the Fund from a closed-end to an open-end management investment company, if required pursuant to the provisions of the 1940 Act, (2) a merger or consolidation of the Fund with any corporation, association, trust or other organization, including a series or class of such other organization (only in the limited circumstances where a vote by shareholders is otherwise required under the 1940 Act or the Declaration), (3) a sale, lease or exchange of all or substantially all of the Fund’s assets (only in the limited circumstances where a vote by shareholders is otherwise required under the 1940 Act and the Declaration), or (4) certain transactions in which a Principal Shareholder (as defined below) is a party to the transactions. However, with respect to items (1), (2) and (3) above, if the applicable transaction has been approved already by the affirmative vote of two-thirds of the Trustees, then a Majority Shareholder Vote is required. In addition, if there are then Preferred Shares outstanding, with respect to items (1) above, two-thirds of the Preferred Shares voting as a separate class shall also be required unless the action has already been approved by two-thirds of the Trustees, in which case then a Majority Shareholder Vote is required. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of the shares otherwise required by law or by the terms of any class or series of Preferred Shares, whether now or hereafter authorized, or any agreement between the Fund and any national securities exchange. Further, in the case of items (2) or (3) that constitute a plan of reorganization (as such term is used in the 1940 Act) which adversely affects the Preferred Shares within the meaning of section 18(a)(2)(D) of the 1940 Act, except as may otherwise be required by law, the approval of the action in question will also require the affirmative vote of two-thirds of the Preferred Shares voting as a separate class; provided, however, that such separate class vote shall be by a Majority Shareholder Vote if the action in question has previously been approved by the affirmative vote of two-thirds of the Trustees.

As noted above, pursuant to the Declaration, the affirmative approval of two-thirds of the shares outstanding and entitled to vote, subject to certain exceptions, shall be required for the following transactions in which a Principal Shareholder is a party: (1) the merger or consolidation of the Fund or any subsidiary of the Fund with or into any Principal Shareholder; (2) the issuance of any securities of the Fund to any Principal Shareholder for cash other than pursuant to a dividend reinvestment or similar plan available to all shareholders; (3) the sale, lease or exchange of all or any substantial part of the assets of the Fund to any Principal Shareholder (except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period); (4) the sale, lease or exchange to the Fund or any subsidiary thereof, in exchange for securities of the Fund, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period). However, shareholder approval for the foregoing transactions shall not be applicable to (1) any transaction, including, without limitation, any rights offering, made available on a pro rata basis to all shareholders of the Fund or class thereof unless the Trustees specifically make such transaction subject to this voting provision, (2) any transaction if the Trustees shall by resolution have approved a memorandum of understanding with such Principal Shareholder with respect to and substantially consistent with such transaction or (3) any such transaction with any corporation of which a majority of the outstanding shares of all classes of stock normally entitled to vote in elections of directors is owned of record or beneficially by the Fund and its subsidiaries. As described in the Declaration, a Principal Shareholder shall mean any corporation, person or other entity which is the beneficial owner, directly or indirectly, of more than 5% of the outstanding shares and shall include any affiliate or associate (as such terms are defined in the Declaration) of a Principal Shareholder. The above affirmative vote shall be in addition to the vote of the shareholders otherwise required by law or by the terms of any class or series of Preferred Shares, whether now or hereafter authorized, or any agreement between the Fund and any national securities exchange.

The provisions of the Declaration described above could have the effect of depriving the Common Shareholders of opportunities to sell their Common Shares at a premium over market value by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions is to render more difficult the accomplishment of a merger or the assumption of control by a third party. They provide, however, the advantage of potentially requiring persons seeking control of a fund to negotiate with its management regarding the price to be paid and facilitating the continuity of the Fund’s investment objective and policies. The Board of Trustees of the Fund has considered the foregoing anti-takeover provisions and concluded that they are in the best interests of the Fund and its Common Shareholders.

The Declaration provides that the obligations of the Fund are not binding upon the Trustees of the Fund individually, but only upon the assets and property of the Fund, and that the Trustees shall not be liable to any person in connection with the Fund property or the affairs of the Fund for any action or failure to act, errors of judgment or mistakes of fact or law or for any neglect or wrongdoing of any officer, employee or agent of the Fund or for the act or omission of any other Trustee. Nothing in the Declaration, however, protects a Trustee against any liability to which he or she would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office with or on behalf of the Fund.

The Declaration provides a detailed process for the bringing of derivative actions by shareholders, and provides that actions that are derivative in nature may not be brought directly, in order to permit legitimate inquiries and claims while avoiding the time, expense, distraction and other harm that can be caused to the Fund or its shareholders as a result of spurious shareholder claims,
demands and derivative actions. Prior to bringing a derivative action, a demand must first be made on the Trustees by no less than three shareholders who together hold not less than 5% of the voting power of the Fund or, if brought in the right of or name of or on behalf of a class, the affected class none of which shall be related to (by blood or by marriage) or otherwise affiliated with any other complaining shareholder (other than as shareholders of the Fund). The Declaration details various information, certifications, undertakings and acknowledgements that must be included in the demand. Following receipt of the demand, the Trustees have a period of 90 days, which may be extended by an additional 60 days, to consider the demand. If a majority of the Trustees who are considered independent for the purposes of considering the demand determine that maintaining the suit would not be in the best interests of the Fund, the Trustees are required to reject the demand and the complaining shareholder may not proceed with the derivative action unless the shareholder is able to sustain the burden of proof to a court that the decision of the Trustees not to pursue the requested action was not a good faith exercise of their business judgment on behalf of the Fund. In making such a determination, a Trustee is not considered to have a personal financial interest by virtue of being compensated for his or her services as a Trustee.

If a demand is rejected as set forth above, the complaining shareholders will be responsible, jointly and severally, for the costs and expenses (including attorneys’ fees) incurred by the Fund in connection with the consideration of the demand under a number of circumstances. In addition, if a court determines that a derivative action was made without reasonable cause or for an improper purpose, or if a derivative or direct action is dismissed on the basis of a failure to comply with the procedural provisions relating to shareholder actions as set forth in the Declaration, or if a direct action is dismissed by a court for failure to state a claim, the shareholders bringing the action may be jointly and severally responsible for the Fund’s costs, including attorneys’ fees.

The provisions of the Declaration provide that any direct or derivative action commenced by a shareholder must be brought only in the U.S. District Court for the District of Massachusetts (Boston Division) or if any such action may not be brought in that court, then in the Business Litigation Session of Suffolk Superior Court in Massachusetts (the “Chosen Courts”). Except as prohibited by applicable law, if a shareholder commences an applicable action in a court other than a Chosen Court, then such shareholder may be obligated to reimburse the Fund and any Trustee or officer of the Fund made party to such proceeding for the costs and expenses (including attorneys’ fees) incurred in connection with any successful motion to dismiss, stay or transfer of the action. The Declaration also provides that any shareholder bringing an action against the Fund waives the right to trial by jury to the fullest extent permitted by law.

The provisions of the Declaration, any By-laws of the Fund, including the procedures applicable to derivative claims, Chosen Courts, and waiver of jury trial, and any contract or agreement entered into by the Fund governed by applicable state law do not affect, waive or limit the rights of any shareholder with respect to any claims arising under any provision of the 1933 Act, the 1934 Act or the 1940 Act, or any rule, regulation or order of the Securities and Exchange Commission thereunder. The provisions regarding Chosen Courts and waiver of jury trials limit a shareholder’s right to bring claims against the Fund in a court a shareholder might deem preferable. A court may not choose to enforce these provisions.

Reference should be made to the Declaration on file with the Securities and Exchange Commission for the full text of these provisions.

**STRUCTURE OF THE FUND; COMMON SHARE REPURCHASES AND CONVERSION TO OPEN-END FUND**

**Closed-End Structure**

Closed-end funds differ from open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at NAV at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund’s investment objective(s) and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end investment companies listed for trading on a securities exchange frequently trade at a discount from NAV, but in some cases trade at a premium. The market price may be affected by factors such as NAV, dividend or distribution levels and their stability (which will in turn be affected by levels of dividend and interest payments by the fund’s portfolio holdings, the timing and success of the fund’s investment strategies, regulations affecting the timing and character of fund distributions, fund expenses and other factors), supply of and demand for the shares, trading volume of the shares, general market, interest rate and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors, among others, may result in the market price of the Common Shares being greater than, less than or equal to NAV. The Board of Trustees has reviewed the structure of the Fund in light of its investment objective and policies and has determined that the closed-end structure is in the best interests of the shareholders. As described below, however, the Board of Trustees will review periodically
the trading range and activity of the Fund’s shares with respect to its NAV, and the Board of Trustees may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for the Common Shares at NAV or the possible conversion of the Fund to an open-end fund. There can be no assurance that the Board will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to their NAV. In addition, as noted above, the Board of Trustees has determined in connection with this initial offering of Common Shares of the Fund that the closed-end structure is desirable, given the Fund’s investment objective and policies. Investors should assume, therefore, that it is highly unlikely that the Board would vote to propose to shareholders that the Fund convert to an open-end investment company.

**Repurchase of Common Shares and Tender Offers**

Shares of closed-end funds frequently trade at a discount to their NAV. Because of this possibility and the recognition that any such discount may not be in the interest of Common Shareholders, the Board of Trustees might consider from time to time engaging in open-market repurchases, tender offers for shares or other programs intended to reduce the discount. The Fund cannot guarantee or assure, however, that the Board of Trustees will decide to engage in any of these actions. After any consideration of potential actions to seek to reduce any significant market discount, the Board of Trustees may, subject to its fiduciary obligations and compliance with applicable state and federal laws and the requirements of the principal stock exchange on which the Common Shares are listed, authorize the commencement of a share repurchase program or tender offer. The size and timing of any such share repurchase program or tender offer will be determined by the Board of Trustees in light of the market discount of the Common Shares, the trading volume of the Common Shares, information presented to the Board of Trustees regarding the potential impact of any such share repurchase program or tender offer, and general market and economic conditions. There can be no assurance that the Fund will in fact effect repurchases of or tender offers for any of its Common Shares. The Fund may, subject to its investment limitation with respect to borrowings, incur debt to finance such repurchases or a tender offer or for other valid purposes. Interest on any such borrowings would increase the Fund’s expenses and reduce the Fund’s net income.

There can be no assurance that repurchases of Common Shares or tender offers, if any, will cause the Common Shares to trade at a price equal to or in excess of their NAV. Nevertheless, the possibility that a portion of the Fund’s outstanding Common Shares may be the subject of repurchases or tender offers may reduce the spread between market price and NAV that might otherwise exist. In the opinion of the Fund, sellers may be less inclined to accept a significant discount in the sale of their Common Shares if they have a reasonable expectation of being able to receive a price of NAV for a portion of their Common Shares in conjunction with an announced repurchase program or tender offer for the Common Shares.

Although the Board of Trustees believes that repurchases or tender offers may have a favorable effect on the market price of the Common Shares, the acquisition of Common Shares by the Fund will decrease the Managed Assets of the Fund and therefore will have the effect of increasing the Fund’s expense ratio and decreasing the asset coverage with respect to any Preferred Shares outstanding. Because of the nature of the Fund’s investment objective, policies and portfolio, the Advisor currently does not anticipate that repurchases of Common Shares or tender offers should interfere with the ability of the Fund to manage its investments in order to seek its investment objective, and does not anticipate any material difficulty in borrowing money or disposing of portfolio securities to consummate repurchases of or tender offers for Common Shares, although no assurance can be given that this will be the case.

**Conversion to Open-End Fund**

The Fund may be converted to an open-end investment company at any time if approved by the holders of two-thirds of the Fund’s shares outstanding and entitled to vote, provided that, unless otherwise required by law, if there are Preferred Shares outstanding, the affirmative vote of the holders of two-thirds of the Preferred Shares voting as a separate class shall also be required; provided, however, that such votes shall be by Majority Shareholder Vote if the action in question was previously approved by the affirmative vote of two-thirds of the Board of Trustees. Such affirmative vote or consent shall be in addition to the vote or consent of the holders of the shares otherwise required by law or any agreement between the Fund and any national securities exchange. In the event of conversion, the Common Shares would cease to be listed on the NYSE or other national securities exchange. Any Preferred Shares or borrowings would need to be redeemed or repaid upon conversion to an open-end investment company. The Board of Trustees believes, however, that the closed-end structure is desirable, given the Fund’s investment objective and policies. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to propose to shareholders that the Fund convert to an open-end investment company. 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 net asset value, less such redemption charge or contingent deferred sales charge, if any, as might be in effect at the time of a redemption. The Fund would expect to pay all such redemption requests in cash, but would intend to reserve the right to pay redemption requests in a combination of cash or securities. If such partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If the Fund were converted to an open-end fund, it is likely that new Common Shares would be sold at NAV plus a sales load.
FEDERAL TAX MATTERS

This section summarizes some of the main federal income tax consequences of owning Common Shares of the Fund. This section is current as of the date of this prospectus. Tax laws and interpretations change frequently, and these summaries do not describe all of the tax consequences to all taxpayers. For example, except as specifically provided below, these summaries generally do not describe your situation if you are a corporation, a non-U.S. person, a broker/dealer, or other investor with special circumstances. In addition, this section does not describe your state, local or foreign tax consequences.

This federal income tax summary is based in part on the advice of counsel to the Fund. The Internal Revenue Service could disagree with any conclusions set forth in this section. In addition, the Fund’s counsel was not asked to review, and has not reached a conclusion with respect to the federal income tax treatment of the assets to be deposited in the Fund. This may not be sufficient for you to use for the purpose of avoiding penalties under federal tax law.

As with any investment, you should seek advice based on your individual circumstances from your own tax advisor.

**Fund Status.** The Fund intends to elect and to qualify annually as a “regulated investment company,” commonly known as a “RIC,” under the federal tax laws. To qualify, the Fund must, among other things, satisfy certain requirements relating to the source and nature of its income and the diversification of its assets. If the Fund qualifies as a RIC and distributes its income as required by tax law, the Fund generally will not pay federal income taxes.

For federal income tax purposes, you are treated as the owner of Common Shares and not of the assets held by the Fund. Taxability issues are taken into account at the Fund level. Your federal income tax treatment from the Fund is based on the distributions paid by the Fund.

**Distributions.** Fund distributions will generally be taxable. After the end of each year, you will receive a tax statement that separates the Fund’s distributions into ordinary dividends, capital gains dividends and returns of capital. Income reported is generally net of expenses. Ordinary income distributions are generally taxed at your ordinary tax rate, however, as further discussed below, certain ordinary income distributions received from the Fund may be taxed at the capital gains tax rates. Generally, you will treat all capital gains dividends as long-term capital gains regardless of how long you have owned your Common Shares. To determine your actual tax liability for your capital gains dividends, you must calculate your total net capital gain or loss for the tax year after considering all of your other taxable transactions, as described below. In addition, the Fund may make distributions that represent a return of capital for tax purposes and thus will generally not be taxable to you; however, such distributions will be applied against and reduce your tax basis in your Common Shares. To the extent that the amount of any distribution exceeds your tax basis in your Common Shares, the excess will be treated as gain from a sale or exchange of your Common Shares. The tax status of your distributions from the Fund is not affected by whether you reinvest your distributions in additional Common Shares or receive them in cash. The income from the Fund that you must take into account for federal income tax purposes is not reduced by amounts used to pay a deferred sales charge, if any. The tax laws may require you to treat distributions made to you in January as if you had received them on December 31 of the previous year.

Income from the Fund may also be subject to a 3.8% “Medicare tax.” This tax will generally apply to your net investment income if your adjusted gross income exceeds certain threshold amounts, which are $250,000 in the case of married couples filing joint returns and $200,000 in the case of single individuals.

**Deemed Distributions.** The Fund currently intends to distribute, at least annually, realized capital gains. However, the Fund may elect to retain capital gains and provide a notice to Common Shareholders within 60 days of the taxable year that the Common Shareholders of record as of the end of the Fund’s taxable year will be required to include their attributable share of the retained gain in their income for the year as long-term capital gain. Common Shareholders required to include such retained gain in their income will be entitled to a credit or a refund for the tax deemed paid on their behalf by the Fund and will increase their basis in their Common Shares in an amount equal to the excess of their share of the retained gains included in their income over the taxes deemed paid on their behalf by the Fund.

**Dividends Received Deduction.** A corporation that owns Common Shares generally will not be entitled to the dividends received deduction with respect to dividends received from the Fund because the dividends received deduction is generally not available for distributions from regulated investment companies. However, certain ordinary income dividends on Common Shares that are attributable to dividends received by the Fund (if any) from certain domestic corporations may be designated by the Fund as being eligible for the dividends received deduction.

**If You Sell Shares.** If you sell your Common Shares, you will generally recognize a taxable gain or loss. To determine the amount of this gain or loss, you must subtract your tax basis in your Common Shares from the amount you receive in the transaction. Your tax basis in your Common Shares is generally equal to the cost of your Common Shares, generally including sales charges. In some cases, however, you may have to adjust your tax basis after you purchase your Common Shares, such as to account for any distributions which are a return of capital as discussed above. Any loss realized upon a taxable disposition of the
Common Shares may be disallowed if other substantially identical shares are acquired within a 61-day period beginning 30 days before and ending 30 days after the date the original Common Shares are disposed of. If disallowed, the loss will be reflected by an upward adjustment to the basis of the Common Shares acquired. In addition, the ability to deduct capital losses may otherwise be limited.

Taxation of Capital Gains and Losses and Certain Ordinary Income Dividends. If you are an individual, the maximum marginal federal tax rate for net capital gain is generally 20% (generally 0% or 15% for certain taxpayers not in the top tax brackets).

Net capital gain equals net long-term capital gain minus net short-term capital loss for the taxable year. Capital gain or loss is long-term if the holding period for the asset is more than one year and is short-term if the holding period for the asset is one year or less. You must exclude the date you purchase your Common Shares to determine your holding period. However, if you receive a capital gain dividend from the Fund and sell your Common Shares at a loss after holding it for six months or less, the loss will be recharacterized as long-term capital loss to the extent of the capital gain dividend received. The tax rates for capital gains realized from assets held for one year or less are generally the same as for ordinary income. The Code treats certain capital gains as ordinary income in special situations.

A portion of the ordinary income dividends received by an individual shareholder from a regulated investment company such as the Fund generally will be taxed at the same rates that apply to net capital gain (as discussed above), but only if certain holding period requirements are satisfied and the dividends are attributable to qualified dividends received by the Fund itself. The Fund does not expect to receive significant amounts of such dividend income. The Fund will provide notice to its shareholders of the amount of any distribution which may be taken into account as a dividend which is eligible for the capital gains tax rates.

Foreign Tax Credit. If at least 50% of the value of the total assets of the Fund (at the close of the taxable year) is represented by foreign securities or at least 50% of the value of the total assets of the Fund (at the close of each quarter of the taxable year) is represented by interests in other RICs, the tax statement that you receive may include an item showing foreign taxes the Fund paid to other countries. In this case, dividends taxed to you will include your share of the taxes the Fund paid to other countries. You may be able to deduct or receive a tax credit for your share of these taxes.

You should consult your tax advisor regarding potential foreign, state or local taxation with respect to your Common Shares.

Investments in Certain Foreign Corporations. The Fund may invest a portion of its portfolio in Senior Loans of non-U.S. borrowers. Because of the nature of Senior Loans, there is an increased risk that a portion of the Senior Loans may be recharacterized as equity for U.S. federal income tax purposes. If the Fund holds an equity interest in any “passive foreign investment companies” ("PFICs"), which are generally certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, certain rents and royalties or capital gains) or that hold at least 50% of their assets in investments producing such passive income, the Fund could be subject to U.S. federal income tax and additional interest charges on gains and certain distributions with respect to those equity interests, even if all the income or gain is timely distributed to its shareholders. The Fund will not be able to pass through to its shareholders any credit or deduction for such taxes. The Fund may be able to make an election that could ameliorate these adverse tax consequences. In this case, the Fund would recognize as ordinary income any increase in the value of such PFIC shares, and as ordinary loss any decrease in such value to the extent it did not exceed prior increases included in income. Under this election, the Fund might be required to recognize in a year income in excess of its distributions from PFICs and its proceeds from dispositions of PFIC stock during that year, and such income would nevertheless be subject to the distribution requirement and would be taken into account for purposes of the 4% excise tax. Dividends paid by PFICs will not be treated as qualified dividend income.

Backup Withholding. The Fund may be required to withhold, for U.S. federal income taxes, a portion of all taxable dividends and redemption proceeds payable to shareholders who fail to provide the Fund with their correct taxpayer identification numbers or who otherwise fail to make required certifications, or if the Fund or a shareholder has been notified by the Internal Revenue Service that such shareholder is subject to backup withholding. Corporate shareholders and certain other shareholders under federal tax laws are generally exempt from such backup withholding. Backup withholding is not an additional tax. Any amounts withheld will be allowed as a refund or credit against the shareholder’s federal income tax liability if the appropriate information is provided to the Internal Revenue Service.

FATCA Withholding. Under the Foreign Account Tax Compliance Act ("FATCA"), distributions may be subject to a U.S. withholding tax of 30% in the case of distributions to (i) certain non-U.S. financial institutions that have not entered into an agreement with the U.S. Treasury to collect and disclose certain information and are not resident in a jurisdiction that has entered into such an agreement with the U.S. Treasury and (ii) certain other non-U.S. entities that do not provide certain certifications and information about the entity’s U.S. owners. Dispositions of Common Shares by such persons may be subject to such withholding; however, proposed regulations may eliminate the requirement to withhold on dispositions.
Alternative Minimum Tax. As with any taxable investment, non-corporate investors may be subject to the federal alternative minimum tax on their income (including taxable income from the Fund), depending on their individual circumstances.

Further Information. The SAI summarizes further federal income tax considerations that may apply to the Fund and its shareholders and may qualify the considerations discussed herein.
UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement, dated the date of this prospectus, the Underwriters named below, for whom Morgan Stanley & Co. LLC is acting as representative (the “Representative”), have severally agreed to purchase, and the Fund has agreed to sell to them, the number of Common Shares indicated below.

<table>
<thead>
<tr>
<th>Underwriter</th>
<th>Number of Common Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan Stanley &amp; Co. LLC</td>
<td></td>
</tr>
<tr>
<td>Oppenheimer &amp; Co. Inc.</td>
<td></td>
</tr>
<tr>
<td>RBC Capital Markets, LLC</td>
<td></td>
</tr>
<tr>
<td>Stifel, Nicolaus &amp; Company, Incorporated</td>
<td></td>
</tr>
<tr>
<td>BB&amp;T Capital Markets, a division of BB&amp;T Securities, LLC</td>
<td></td>
</tr>
<tr>
<td>Alexander Capital, L.P.</td>
<td></td>
</tr>
<tr>
<td>B. Riley FBR, Inc.</td>
<td></td>
</tr>
<tr>
<td>Brookline Capital Markets, a Division of Arcadia Securities, LLC</td>
<td></td>
</tr>
<tr>
<td>D.A. Davidson &amp; Co.</td>
<td></td>
</tr>
<tr>
<td>Incapital LLC</td>
<td></td>
</tr>
<tr>
<td>Janney Montgomery Scott LLC</td>
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<tr>
<td>JonesTrading Institutional Services LLC</td>
<td></td>
</tr>
<tr>
<td>Ladenburg Thalmann &amp; Co. Inc.</td>
<td></td>
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<tr>
<td>Maxim Group LLC</td>
<td></td>
</tr>
<tr>
<td>Newbridge Securities Corporation</td>
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<tr>
<td>Pershing LLC</td>
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<tr>
<td>Synovus Securities, Inc.</td>
<td></td>
</tr>
<tr>
<td>Wedbush Securities Inc.</td>
<td></td>
</tr>
<tr>
<td>Wintrust Investments, LLC</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The Underwriters are offering the Common Shares subject to their acceptance of the Common Shares from the Fund and subject to prior sale. The underwriting agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Common Shares offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the Common Shares offered by this prospectus if any such shares are taken. However, the Underwriters are not required to take or pay for the Common Shares covered by the Underwriters’ over-allotment option described below.

The Underwriters initially propose to offer part of the Common Shares directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $0.00 per Common Share under the public offering price. Investors must pay for any Common Shares purchased in this offering on or before , 2020.

The Fund has granted to the Underwriters an option, exercisable for 45 days from the date of this prospectus, to purchase up to additional Common Shares at the public offering price listed on the cover page of this prospectus. The Underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the Common Shares offered by this prospectus. To the extent the option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional Common Shares as the number listed next to the Underwriter’s name in the preceding table bears to the total number of Common Shares listed next to the names of all Underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions (sales load) and proceeds to the Fund. These amounts are shown assuming both no exercise and full exercise of the Underwriters’ option to purchase up to an additional Common Shares.

<table>
<thead>
<tr>
<th>Per Share</th>
<th>No Exercise</th>
<th>Full Exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public offering price</td>
<td>$20.00</td>
<td>$</td>
</tr>
<tr>
<td>Sales load</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Proceeds to the Fund</td>
<td>$20.00</td>
<td>$</td>
</tr>
</tbody>
</table>

The compensation and fees paid to the Underwriters described below under “—Additional Compensation to be Paid by the Advisor” are not reimbursable to the Advisor by the Fund and are therefore not reflected in the table above.

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The Advisor (and not the Fund) will pay all organizational expenses of the Fund and all offering costs associated with this offering. The Fund is not obligated to repay any such organizational expenses or offering costs paid by the Advisor.

The Underwriters have informed the Fund that they do not intend sales to discretionary accounts to exceed five percent of the total number of Common Shares offered by them.

In order to meet requirements for listing the Common Shares on the NYSE, the Underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial owners in the United States. The minimum investment requirement is 100 common shares ($2,000).

The Fund intends to apply to list its Common Shares on the NYSE, subject to notice of issuance, under the symbol “FTHY”.

The Fund has agreed that, without the prior written consent of the Representative on behalf of the Underwriters, it will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares;
- file any registration statement with the SEC relating to the offering of any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Shares;

whether any such transaction described above is to be settled by delivery of Common Shares or such other securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of Common Shares to the Underwriters;
- any Common Shares issued pursuant to the Plan; or
- any Preferred Share issuance.

The Representative, in its sole discretion, may release the Common Shares and other securities subject to the lock-up agreement described above in whole or in part at any time with or without notice.

In order to facilitate the offering of the Common Shares, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Shares. Specifically, the Underwriters may sell more Common Shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Common Shares available for purchase by the Underwriters under the over-allotment option. The Underwriters can close out a covered short sale by exercising the over-allotment option or purchasing Common Shares in the open market. In determining the source of Common Shares to close out a covered short sale, the Underwriters will consider, among other things, the open market price of the Common Shares compared to the price available under the over-allotment option. The Underwriters may also sell Common Shares in excess of the over-allotment option, creating a naked short position. The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the Underwriters may bid for, and purchase, Common Shares in the open market to stabilize the price of the Common Shares. Finally, the underwriting syndicate may also reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Common Shares in the offering. Any of these activities may raise or maintain the market price of the Common Shares above independent market levels or prevent or retard a decline in the market price of the Common Shares. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

The Fund, the Advisor, and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the 1933 Act.

A prospectus in electronic format may be made available on websites maintained by one or more Underwriters, or selling group members, if any, participating in this offering. The Representative may agree to allocate a number of Common Shares to Underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the Representative to Underwriters that may make Internet distributions on the same basis as other allocations.
Prior to this offering, there has been no public market for the Common Shares. The initial public offering price for the Common Shares was determined by negotiation among the Fund, the Advisor and the Representative. There can be no assurance, however, that the price at which the Common Shares trade after this offering will not be lower than the price at which they are sold by the Underwriters or that an active trading market in the Common Shares will develop and continue after this offering.

Prior to the public offering of the common shares, First Trust Portfolios L.P., an affiliate of the Advisor (“FTP”), purchased Common Shares from the Fund in an amount satisfying the net worth requirements of Section 14(a) of the 1940 Act, which requires the Fund to have a net worth of at least $100,000 prior to making a public offering. As of the date of this prospectus, FTP owned 100% of the Fund’s outstanding Common Shares and therefore may be deemed to control the Fund until such time as it owns less than 25% of the Fund’s outstanding Common Shares, which is expected to occur upon the closing of this offering.

The Fund anticipates that the Representative and certain other Underwriters may from time to time act as brokers and dealers in connection with the execution of its portfolio transactions after they have ceased to be Underwriters and, subject to certain restrictions, may act as such brokers while they are Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial lending, investment banking, financial advisory, investment management, principal investment, hedging, derivatives, financing and brokerage activities. Certain of the Underwriters or their respective affiliates from time to time have provided in the past, and may provide in the future, securities trading, commercial lending, investment banking, financial advisory, investment management, principal investment, hedging, derivatives, financing and brokerage services to the Fund, certain of its executive officers and affiliates and the Advisor and its affiliates in the ordinary course of business, for which they have received, and may receive, customary fees and expenses.

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the Common Shares, or the possession, circulation or distribution of this prospectus or any other material relating to the Fund or the Common Shares where action for that purpose is required. Accordingly, the Common Shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Common Shares may be distributed or published, in or from any country or jurisdiction except in compliance with the applicable rules and regulations of any such country or jurisdiction.

The principal business address of Morgan Stanley & Co. LLC is 1585 Broadway, New York, New York 10036.

Additional Compensation to be Paid by the Advisor

The Advisor (and not the Fund) has agreed to pay Morgan Stanley & Co. LLC, from its own assets, an upfront structuring and syndication fee in the amount of $ for advice and services relating to the structure and design of the Fund as well as services related to the sale and distribution of the Common Shares. If the over-allotment option is not exercised, the upfront structuring and syndication fee paid to Morgan Stanley & Co. LLC will not exceed % of the total public offering price of the Common Shares. These services provided by Morgan Stanley & Co. LLC to the Advisor are unrelated to the Advisor’s function of advising the Fund as to its investments in securities or use of investment strategies and investment techniques.

The Advisor (and not the Fund) has agreed to pay each of Oppenheimer & Co. Inc., RBC Capital Markets, LLC, Stifel, Nicolaus & Company, Incorporated and BB&T Capital Markets, a division of BB&T Securities, LLC, from its own assets, an upfront fee in the amount of $, $, $ and $, respectively, for services related to the distribution of the Common Shares. If the over-allotment option is not exercised, the upfront fee paid to each of Oppenheimer & Co. Inc., RBC Capital Markets, LLC, Stifel, Nicolaus & Company, Incorporated and BB&T Capital Markets, a division of BB&T Securities, LLC will not exceed %, %, % and %, respectively, of the total public offering price of the Common Shares. These services provided by these Underwriters to the Advisor are unrelated to the Advisor’s function of advising the Fund as to its investments in securities or use of investment strategies and investment techniques.

The Advisor (and not the Fund) may also pay certain other qualifying Underwriters and other dealers a structuring fee, a sales incentive fee or other additional compensation in connection with this offering.

The amount of these structuring, syndication and other fees are calculated based on the total respective sales of Common Shares by these Underwriters and other dealers, including those Common Shares included in the Underwriters’ over-allotment option, and will be paid regardless of whether some or all of the over-allotment option is exercised.

In addition, the Advisor (and not the Fund) has agreed to pay from its own assets, compensation of $0.40 per Common Share to the Underwriters in connection with the offering, which aggregate amount will not exceed 2.00% of the total public offering price of the Common Shares.
Total underwriting compensation determined in accordance with Financial Industry Regulatory Authority, Inc. (“FINRA”) rules is summarized as follows. The Advisor has agreed to reimburse the Underwriters for the reasonable fees and disbursements of counsel to the Underwriters in connection with the review by FINRA of the terms of the sale of the Common Shares in an amount not to exceed $30,000 in the aggregate, which amount will not exceed 0% of the total public offering price of the Common Shares if the over-allotment option is not exercised. The sum total of all compensation to the Underwriters and the other dealers as referenced above in connection with this public offering of the Common Shares, including expense reimbursement and all forms of structuring, syndication and other fee payments to the Underwriters, will not exceed 9.00% of the total public offering price of the Common Shares.
CUSTODIAN, ADMINISTRATOR, FUND ACCOUNTANT AND TRANSFER AGENT

The custodian of the assets of the Fund is The Bank of New York Mellon, 240 Greenwich Street, New York, New York 10286. The Fund’s dividend paying agent is Computershare Inc., 250 Royall Street, Canton, Massachusetts 02021, and the Fund’s transfer agent is Computershare Trust Company, N.A., a fully owned subsidiary of Computershare Inc., 250 Royall Street, Canton, Massachusetts 02021. Pursuant to an administration and accounting services agreement, The Bank of New York Mellon provides certain administrative and accounting services to the Fund, including maintaining the Fund’s books of account, records of the Fund’s securities transactions, and certain other books and records; acting as liaison with the Fund’s independent registered public accounting firm by providing such accountant with various audit-related information with respect to the Fund; and providing other continuous accounting and administrative services. As compensation for these services, the Fund has agreed to pay The Bank of New York Mellon an annual fee, calculated daily and payable on a monthly basis, of 0.05% of the Fund’s average net assets, subject to decrease with respect to additional Fund net assets.

LEGAL MATTERS

Certain legal matters in connection with the Common Shares will be passed upon for the Fund by Chapman and Cutler LLP, Chicago, Illinois. Weil, Gotshal & Manges LLP, New York, New York, advised the Underwriters in connection with the offering of the Common Shares. Chapman and Cutler LLP and Weil, Gotshal & Manges LLP may rely as to certain matters of Massachusetts law on the opinion of Morgan, Lewis & Bockius LLP.
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Shares

First Trust High Yield Opportunities 2027 Term Fund

Common Shares
$20.00 per Share

PROSPECTUS

, 2020

Morgan Stanley
Oppenheimer & Co.
RBC Capital Markets
Stifel
BB&T Capital Markets
Alexander Capital, L.P.
B. Riley FBR
Brookline Capital Markets
D.A. Davidson & Co.
Incapital
Janney Montgomery Scott
JonesTrading
Ladenburg Thalmann
Maxim Group LLC
Newbridge Securities Corporation
Pershing LLC
Synovus Securities, Inc.
Wedbush Securities
Wintrust Investments

Until , 2020 (25 days after the date of this prospectus), all dealers that buy, sell or trade the Common Shares, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers’ obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.