GABELLI MULTIMEDIA TRUST INC.
Form 497
September 21, 2017
Table of Contents

THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT IS NOT COMPLETE AND MAY BE CHANGED. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES WAS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND BECAME EFFECTIVE. THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS ARE NOT AN OFFER TO SELL THESE SECURITIES AND ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED SEPTEMBER 21, 2017

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated September 19, 2017)

THE GABELLI MULTIMEDIA TRUST INC.
Filed Pursuant to Rule 497(c)
Registration Statement No. 333-218771

$

Shares

% Series E Cumulative Preferred Shares

(Liquidation Preference $25.00 per share)

The Gabelli Multimedia Trust Inc. (the Fund) is offering shares of % Series E Cumulative Preferred Shares, par value $0.001 per share (the Series E Preferred Shares). Investors in Series E Preferred Shares will be entitled to receive, when, as and if declared by, or under authority granted by, the Fund s Board of Directors, out of funds legally available therefor, cumulative cash dividends and distributions at the rate of % per annum of the $25.00 per share liquidation preference on the Series E Preferred Shares. Dividends and distributions on Series E Preferred Shares will be payable quarterly on March 26, June 26, September 26 and December 26 in each year commencing on December 26, 2017. The Series E Preferred Shares will rank on parity with any future preferred shares and senior to our common shares with respect to dividend and distribution rights and rights upon our liquidation.

The Series E Preferred Shares are redeemable at our option on or after , 2022 and are subject to mandatory redemption by us in certain circumstances. See Special Characteristics and Risks of the Series E Preferred Shares Redemption.

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s primary investment objective is long term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing, and entertainment industries. Income is a secondary objective of the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its net assets, plus borrowings for investment purposes, in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries. A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia related activities. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund.

The Fund s outstanding common shares, par value $0.001 per share, are listed on the New York Stock Exchange (the NYSE) under the symbol GGT. On September 20, 2017, the last reported sale price of our common shares was $9.46. The net asset value of the Fund s common shares at the close of business on September 20, 2017 was $9.30 per share. As of the date hereof, the Fund has outstanding 24,280,302 shares of common stock; 791,014 shares of Series B Cumulative Preferred Stock and 10 shares of Series C Auction Rate Cumulative Preferred Stock.

Application has been made to list the Series E Preferred Shares on the NYSE. If the application is approved, the Series E Preferred Shares are expected to commence trading on the NYSE under the symbol GGT PrE within thirty days of the date of issuance.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund s investment objective will be achieved. You should read this prospectus supplement (the Prospectus Supplement) and the accompanying prospectus (the Prospectus) before deciding whether to invest in Series E Preferred Shares and retain them for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission s (SEC) website (http://www.sec.gov).

Investing in Series E Preferred Shares involves certain risks that are described in the Special Characteristics and Risks of the Series E Preferred Shares section of this Prospectus Supplement and the Risk Factors and Special Considerations section beginning on page 30 of the accompanying Prospectus.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total(1)
Public Offering Price	$ 25.00	$
Underwriting discounts and commissions	$ 0.7875	$
Proceeds, before expenses, to the Fund	$ 24.2125	$

(1) The aggregate expenses of the offering (excluding underwriting discounts and commissions) are estimated to be $210,000.

The underwriters are expected to deliver the Series E Preferred Shares in book-entry form through the Depository Trust Company on or about , 2017.

BofA Merrill Lynch **UBS Investment Bank**

G.research, LLC

The date of this Prospectus Supplement is , 2017

Table of Contents

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Neither the Fund nor the underwriters have authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Multimedia Trust Inc., a Maryland corporation. This Prospectus Supplement also includes trademarks owned by other persons.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

PROSPECTUS

Table of Contents

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information (the SAI) contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate and similar terms and the negative of such terms. Such forward-looki statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus and the SAI. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares (including the Series E Preferred Shares) will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Series E Preferred Shares in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus and the SAI are made as of the date of this Prospectus Supplement or the accompanying Prospectus and the SAI, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the SAI are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Series E Preferred Shares section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the Series E Preferred Shares.

Table of Contents

SUMMARY OF THE TERMS OF THE SERIES E PREFERRED SHARES

This Prospectus Supplement sets forth certain terms of the Series E Preferred Shares that we are offering pursuant to this Prospectus Supplement and the accompanying Prospectus that is attached to the back of this Prospectus Supplement. This section outlines certain specific legal and financial terms of the Series E Preferred Shares that are more generally described under the heading Special Characteristics and Risks of the Series E Preferred Shares herein and in the accompanying Prospectus under the heading Description of Capital Stock. Capitalized terms used in this Prospectus Supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying Prospectus or in the Articles Supplementary governing and establishing the terms of the Series E Preferred Shares.

The Fund	The Gabelli Multimedia Trust Inc. is a closed-end, non-diversified management investment company organized as a Maryland corporation on March 31, 1994 and commenced its investment operations on November 15, 1994. Throughout this Prospectus Supplement, we refer to The Gabelli Multimedia Trust Inc. as the Fund or as we. The Fund s primary investment objective is long term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing, and entertainment industries. Income is a secondary objective of the Fund. See the accompanying Prospectus under the heading Investment Objectives and Policies for additional information. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. The Fund s outstanding common shares, par value $0.001 per share, are listed on the New York Stock Exchange (the NYSE) under the symbol GGT. On September 20, 2017, the last reported sale price of our common shares was $9.46. The net asset value of the Fund s common shares at the close of business on September 20, 2017 was $9.30 per share. As of the date hereof, the Fund has outstanding 24,280,302 shares of common stock; 791,014 shares of Series B Cumulative Preferred Stock and 10 shares of Series C Auction Rate Cumulative Preferred Stock.
Securities Offered	shares of % Series E Preferred Shares (the Series E Preferred Shares). The Series E Preferred Shares will constitute a separate series of preferred shares of the Fund. The Series E Preferred Shares will rank on parity with any future preferred shares and senior to our common shares with respect to dividend and distribution rights and rights upon our liquidation.
Dividend Rate	Dividends and distributions on the Series E Preferred Shares are cumulative from their original issue date at the annual rate of %

	of the $25.00 per share liquidation preference on the Series E Preferred Shares.
Dividend Payment Date	Holders of Series E Preferred Shares will be entitled to receive, when, as and if declared by, or under authority granted by, the Fund s Board

P-5

Table of Contents

of Directors (the Board), out of funds legally available therefor, cumulative cash dividends and distributions at the rate of % per annum of the $25.00 per share liquidation preference on the Series E Preferred Shares. Dividends and distributions will be paid quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on December 26, 2017.

Liquidation Preference

$25.00 per share

Use of Proceeds

The Fund estimates the total net proceeds of the offering to be $, based on the public offering price of $25.00 per share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by the Fund.

The Fund will use the net proceeds from the offering of Series E Preferred Shares to purchase portfolio securities in accordance with its investment objective and policies. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objective and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within approximately three months of the issue date; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the investment period to extend as long as six months from the issue date.

Pending such investment, the proceeds of the offering of the Series E Preferred Shares will be held in high quality short term debt securities and similar instruments. See Use of Proceeds.

Non-Call Period/Redemption

The Series E Preferred Shares generally may not be called for redemption at the option of the Fund prior to , 2022. The Fund reserves the right, however, to redeem the Series E Preferred Shares at any time if it is necessary, in the judgment of the Board, to maintain its status as a regulated investment company (a RIC) under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). The Fund may also be required under certain circumstances to redeem Series E Preferred Shares before or after , 2022, in order to meet certain regulatory or rating agency asset coverage requirements.

Commencing , 2022, and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time, upon notice of redemption, redeem the Series E Preferred Shares in whole or in part at

	the liquidation preference per share plus accumulated unpaid dividends through the date of redemption.
Stock Exchange Listing	Application has been made to list the Series E Preferred Shares on the NYSE. Prior to this offering, there has been no public market for Series E Preferred Shares. If the application is approved, it is

P-6

Table of Contents

	anticipated that trading on the NYSE under the symbol GGT PrE will begin within thirty days from the date of this Prospectus Supplement. Before the Series E Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in Series E Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series E Preferred Shares will be illiquid.
Taxation	See Taxation in the accompanying Prospectus and SAI for a discussion of U.S. federal income tax considerations affecting the Fund and holders of Series E Preferred Shares.
ERISA	See Certain Employee Benefit Plan and IRA Considerations.
Dividend Paying Agent	Computershare Trust Company, N.A.

Table of Contents

DESCRIPTION OF THE SERIES E PREFERRED SHARES

The following is a brief description of the terms of the Series E Preferred Shares. This is not a complete description and is subject to and entirely qualified by reference to the Fund s Articles Supplementary for the Series E Preferred Shares (the Articles Supplementary). The Articles Supplementary will be attached as an exhibit to post-effective amendment number 2 to the Fund s registration statement. Copies may be obtained as described under Additional Information in the accompanying Prospectus. Any capitalized terms in this section and the Special Characteristics and Risks of the Series E Preferred Shares section of this Prospectus Supplement that are not defined have the meaning assigned to them in the Articles Supplementary.

The Fund s charter (which, as restated, amended or supplemented from time to time, together with these Articles Supplementary, is referred to herein as the Charter) provides that the Board may authorize and issue classes of shares with designation rights and preferences as determined by the Board, by action of the Board without the approval of the holders of the common shares. Currently, an unlimited number of the Fund s shares are available for classification by the Board as preferred shares, par value $0.001 per share. The Articles Supplementary authorizes the issuance of up to Series E Preferred Shares. All Series E Preferred Shares will have a liquidation preference of $25.00 per share plus accumulated and unpaid dividends. Holders of Series E Preferred Shares shall be entitled to receive, when, as and if declared by, or under authority granted by the Board, out of funds legally available therefor, cumulative cash dividends and distributions at the rate of % per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the $25.00 per share liquidation preference on the Series E Preferred Shares. Dividends and distributions on Series E Preferred Shares will accumulate from the date of their original issue, which is expected to be , 2017.

The Series E Preferred Shares, when issued by the Fund and paid for pursuant to the terms of this Prospectus Supplement and the accompanying Prospectus, will be fully paid and non-assessable and will have no preemptive, exchange or conversion rights. Any Series E Preferred Shares purchased or redeemed by the Fund will, after such purchase or redemption, have the status of authorized but unissued preferred shares. The Board may by resolution classify or reclassify any authorized and unissued Series E Preferred Shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and distributions, qualifications or terms or conditions of redemption of such shares. The affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding Series E Preferred Shares (or any other series of the Fund s preferred shares), voting separately from the holders of any other series of the Fund s preferred shares (to the extent its rights are affected differently), shall be required with respect to any matter that materially and adversely affects the rights, preferences or powers of that series in a manner different from that of other series or classes of the Fund s shares. The affirmative vote of the holders of a majority, as defined in the 1940 Act, of the Fund s outstanding preferred shares, voting separately as one class (including the Series E Preferred Shares), shall be required to amend, alter or repeal the provisions of the Fund s Charter or Bylaws, whether by merger, consolidation or otherwise, if such amendment, alteration or repeal would affect adversely the rights, preferences or powers expressly set forth in any articles supplementary of the Fund s preferred shares, including the Articles Supplementary, unless, in each case, the Fund obtains written confirmation from any rating agency then rating the Series E Preferred Shares at the Fund s request that such amendment, alteration or repeal would not impair the rating then assigned by such rating agency to the Series E Preferred Shares, in which case the vote or consent of the holders of the Series E Preferred Shares is not required. No matter shall be deemed to adversely affect any rights, preferences or powers of the Series E Preferred Shares unless such matter (i) adversely alters or abolishes any right or preference of such series; (ii) creates, adversely alters or abolishes any right in respect of redemption of such series; or (iii) creates or adversely alters (other than to abolish) any restriction on transfer applicable to such series. An increase in the number of authorized preferred shares of the Fund pursuant to the Charter or the issuance of additional shares of any series of preferred shares of the Fund (including the Series E Preferred Shares) pursuant to the Charter shall not in and of itself be considered to adversely affect the rights, preferences or powers of the Series E Preferred Shares.

Table of Contents

The disclosure set forth in this Description of the Series E Preferred Shares and under the heading Special Characteristics and Risks of the Series E Preferred Shares is intended to be a summary of the material provisions of the Series E Preferred Shares. Since this Description of the Series E Preferred Shares and the disclosure under the heading Special Characteristics and Risks of the Series E Preferred Shares is only a summary, you should refer to the Articles Supplementary for a complete description of the obligations of the Fund and your rights. The disclosure set forth in this Description of the Series E Preferred Shares and under the heading Special Characteristics and Risks of the Series E Preferred Shares supplements the description of the preferred shares set forth under the caption Description of Capital Stock Preferred Stock in the accompanying Prospectus, and in the event that any provision described in the disclosure set forth in this Description of the Series E Preferred Shares and under the heading Special Characteristics and Risks of the Series E Preferred Shares is inconsistent with any description contained in the accompanying Prospectus, the disclosure set forth in this Description of the Series E Preferred Shares and under the heading Special Characteristics and Risks of the Series E Preferred Shares will apply and supersede the description in the accompanying Prospectus.

USE OF PROCEEDS

The Fund estimates the total net proceeds of the offering to be $, based on the public offering price of $25.00 per Series E Preferred Share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by the Fund.

The Fund will use the net proceeds from the offering of Series E Preferred Shares to purchase portfolio securities in accordance with its investment objective and policies. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objective and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within approximately three months of the issue date; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the investment period to extend as long as six months from the issue date. Pending such investment, the proceeds of the offering of the Series E Preferred Shares will be held in high quality short term debt securities and similar instruments.

Table of Contents

CAPITALIZATION

The following table sets forth (i) the audited capitalization of the Fund as of December 31, 2016, (ii) the unaudited capitalization of the Fund as of June 30, 2017, and (iii) the unaudited adjusted capitalization of the Fund assuming the issuance of the 2,000,000 Series E Preferred Shares offered in this Prospectus Supplement and the use of proceeds thereof. The actual size of the offering may be greater or less than what is assumed in the table below.

	As of December 31, 2016		As of June 30, 2017	
	Actual	As adjusted	Actual	As adjusted
Preferred shares, $0.001 par value per share (The Actual column reflects the Fund s outstanding capitalization as of December 31, 2016 and June 30, 2017, respectively; the As adjusted column assumes the issuance of 2,000,000 Series E Preferred Shares at $25.00 liquidation preference per share)	$ 34,775,350	$ 84,775,350	$ 20,025,350	$ 70,025,350
Shareholders equity applicable to common shares:				
Common shares, $0.001 par value per share (The Actual and As adjusted columns reflect the Fund s outstanding capitalization of 24,308,212 common shares and 24,280,302 common shares outstanding as of December 31, 2016 and June 30, 2017, respectfully)	24,308	24,308	24,280	24,280
Paid-in surplus*	143,459,933	141,674,933	137,687,530	135,902,530
Distributions in excess of net investment income	(432,487)	(432,487)	(460,812)	(460,812)
Distribution in excess of net realized gain on investments and foreign currency transactions	(3,537,867)	(3,537,867)	(1,095,952)	(1,095,952)
Net unrealized appreciation on investments and foreign currency translations	58,109,471	58,109,471	85,728,703	85,728,703
Net assets attributable to common shares	197,623,358	195,838,358	221,883,749	220,098,749
Liquidation preference of preferred shares	34,775,350	84,775,350	20,025,350	70,025,350
Net assets, plus the liquidation preference of preferred shares	$ 232,398,708	$ 280,613,708	$ 241,909,099	$ 290,124,099

* As adjusted paid-in surplus reflects a deduction for the estimated underwriting discounts and commissions of $1,575,000 and estimated offering costs of $210,000 for the Series E Preferred Shares.

For financial reporting purposes, the Fund will deduct the liquidation preference of its outstanding preferred shares from net assets, so long as the senior securities have redemption features that are not solely within the control of the Fund. For all regulatory purposes, the Fund s preferred shares will be treated as equity (rather than debt).

P-10

Table of Contents

DESCRIPTION OF THE SECURITIES

The following information regarding the Fund s authorized shares is as of the date hereof.

Title of Class	Amount Authorized	Amount Held by Fund or for its Account	Amount Outstanding Exclusive of Amount Held by Fund
Common Shares			24,280,302
Series B Cumulative Preferred Stock	3,000,000		791,014
Series C Auction Rate Cumulative Preferred Stock	1,000		10
Series E Preferred Shares			0
Other Series of Preferred Shares	0		0

ASSET COVERAGE RATIO

Pursuant to the 1940 Act, the Fund generally will not be permitted to declare any dividend, or declare any other distribution, upon any outstanding common shares, purchase any common shares, or issue preferred shares, unless, in every such case, all preferred shares issued by the Fund have at the time of declaration of any such dividend or distribution or at the time of any such purchase or issuance an asset coverage of at least 200% (1940 Act Asset Coverage Requirement) after deducting the amount of such dividend, distribution, or purchase price, as the case may be. As of the date of this Prospectus Supplement, all of the Fund s outstanding preferred shares are expected to have asset coverage on the date of issuance of the Series E Preferred Shares of approximately %.

In addition to the 1940 Act Asset Coverage Requirement, the Fund is expected to be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies that are expected to issue ratings for the Series E Preferred Shares. See Special Characteristics and Risks of the Series E Preferred Shares Risks Credit Rating Risk in this Prospectus Supplement. As a condition of the underwriters obligations to purchase the Series E Preferred Shares, the Series E Preferred Shares must be rated at a minimum level by Moody s Investors Service, Inc. (Moody s).

SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES E PREFERRED SHARES

Dividends

Holders of Series E Preferred Shares shall be entitled to receive, when, as and if declared by, or under authority granted by the Board, out of funds legally available therefor, cumulative cash dividends and distributions at the rate of % per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the $25.00 per share liquidation preference on the Series E Preferred Shares. Dividends and distributions on Series E Preferred Shares will accumulate from the date of their original issue, which is expected to be , 2017.

Dividends and distributions will be payable quarterly on March 26, June 26, September 26 and December 26 in each year (each a Dividend Payment Date) commencing on December 26, 2017 (or, if any such day is not a business day, then on the next succeeding business day) to holders of record of Series E Preferred Shares as they appear on the share register of the Fund at the close of business on the fifth preceding business day in preference to dividends and distributions on common shares and any other shares of the Fund ranking junior to the Series E Preferred Shares in payment of dividends and distributions.

Dividends and distributions on Series E Preferred Shares shall accumulate from the date on which the Series E Preferred Shares are originally issued. Each period beginning on and including a Dividend Payment Date (or the date of original issue, in the case of the first dividend period after the first issuance of the Series E Preferred Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to herein as a Dividend Period. Dividends and distributions on account of arrears for any past Dividend Period or in connection with the redemption of Series E Preferred Shares may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date as shall be fixed by the Board that is not more than 30 days before the Dividend Payment Date.

No full dividends or distributions will be declared or paid on Series E Preferred Shares for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent Dividend Payment Dates therefor on all outstanding shares of any series of preferred shares of the Fund ranking on a parity with the Series E Preferred Shares as to the payment of dividends and distributions have been or contemporaneously are declared and paid through the most recent Dividend Payment Dates therefor. If full cumulative dividends and distributions due have not been paid on all of the Fund s outstanding preferred shares, any dividends and distributions being paid on such preferred shares (including the Series E Preferred Shares) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of preferred shares on the relevant Dividend Payment Date.

Restrictions on Issuance, Dividend, Redemption and Other Payments

Under the 1940 Act, the Fund is not permitted to issue preferred shares (such as the Series E Preferred Shares) unless immediately after such issuance the Fund will have an asset coverage of at least 200% (or such other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing stock of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its stock). In general, the term asset coverage for this purpose means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund plus the aggregate of the involuntary liquidation preference of the preferred shares. The involuntary liquidation preference refers to the amount to which the preferred shares would be entitled on the involuntary liquidation of the Fund in preference to a security junior to them. The Fund also is not permitted to declare any cash dividend or other distribution on its common shares or purchase its common shares unless, at the time of such declaration or purchase, the Fund satisfies this 200% asset coverage requirement after deducting the amount of the distribution or purchase price, as applicable.

In addition, the Fund may be limited in its ability to declare any cash distribution on its shares (including the Series E Preferred Shares) or purchase its capital stock (including the Series E Preferred Shares) unless, at the time of such declaration or purchase, the Fund has an asset coverage on its indebtedness, if any, of at least 300% after deducting the amount of such distribution or purchase price, as applicable. The 1940 Act contains an exception, however, that permits dividends to be declared upon any preferred shares issued by the Fund (including the Series E Preferred Shares) if the Fund s indebtedness has an asset coverage of at least 200% at the time of declaration after deducting the amount of the dividend. In general, the term asset coverage for this purpose means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund.

The term senior security does not include any promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the Fund at the time when the loan is made. A loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 days and is not extended or renewed; otherwise it is presumed not to be for temporary purposes. For purposes of determining whether the 200% and 300% asset coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Series E Preferred Shares, the

Table of Contents

asset coverages may be calculated on the basis of values calculated as of a time within 48 hours (not including Sundays or holidays) next preceding the time of the applicable determination.

In addition to those circumstances described in the accompanying Prospectus under Description of the Securities Preferred Shares Restrictions on Dividends and Other Distributions for the Preferred Shares, the Fund may not pay any dividend or distribution (other than a dividend or distribution paid in common shares or in options, warrants or rights to subscribe for or purchase common shares) in respect of the common shares or call for redemption, redeem, purchase or otherwise acquire for consideration any common shares (except by conversion into or exchange for shares of the Fund ranking junior to the preferred shares as to the payment of dividends or distributions and the distribution of assets upon liquidation), unless after making the distribution, the Fund meets applicable asset coverage requirements described under Rating Agency Guidelines below.

Voting Rights

Except as otherwise provided by applicable law, each holder of Series E Preferred Shares shall be entitled to one vote for each share held on each matter submitted to a vote of shareholders of the Fund, and the holders of outstanding preferred shares, including Series E Preferred Shares, and the common shares shall vote together as a single class; provided, however, that the holders of the outstanding preferred shares, including Series E Preferred Shares, shall be entitled, as a separate class, to the exclusion of all other holders of all other classes of shares of the Fund, to elect two of the Fund s Directors.

During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a Voting Period), the number of Directors constituting the Board shall be increased by the smallest number of additional Directors that, when added to the two Directors elected exclusively by the holders of outstanding preferred shares, would constitute a simple majority of the Board as so increased by such smallest number, and the holders of outstanding preferred shares, including the Series E Preferred Shares, voting separately as one class (to the exclusion of all other holders of all other classes of shares of the Fund) shall be entitled to elect such smallest number of additional Directors and the two Directors the holders of preferred shares, including the Series E Preferred Shares, are otherwise entitled to elect. The Fund and the Board shall take all necessary actions, including amending the Fund s Bylaws, to effect an increase in the number of Directors as described in the preceding sentence. A Voting Period shall commence:

i. if at any time accumulated dividends and distributions on the outstanding Series E Preferred Shares equal to at least two full years dividends and distributions shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with Computershare Trust Company, N.A., and its successors or any other dividend-disbursing agent appointed by the Fund, for the payment of such accumulated dividends and distributions; or

ii. if at any time holders of any other preferred shares are entitled to elect a majority of the Directors of the Fund under the 1940 Act or articles supplementary creating such shares.

Additional voting rights are described in Description of the Series E Preferred Shares.

Rating Agency Guidelines

The Fund anticipates Moody s will initially rate the Series E Preferred Shares. The Fund expects that it will be required under Moody s (or any other rating agency then rating the Fund s preferred shares at the Fund s request, including the Series E Preferred Shares) guidelines to maintain assets having in the aggregate a discounted value at least equal to the Basic Maintenance Amount (as defined in the Articles Supplementary) for its outstanding preferred shares (including the Series E Preferred Shares) with respect to the guidelines Moody s or such other rating agency has established for determining discounted value. To the extent any particular portfolio holding does not satisfy a rating agency s guidelines, all or a portion of such holding s value will not be included in the calculation of discounted value (as defined by the rating agency). The Moody s guidelines also

Table of Contents

impose certain diversification requirements and industry concentration limitations on the Fund s overall portfolio, and apply specified discounts to securities held by the Fund (except certain money market securities).

If the value of the Fund s assets, as discounted in accordance with the rating agency guidelines, is less than the Basic Maintenance Amount, the Fund is required to use its commercially reasonable efforts to cure such failure. If the Fund does not cure in a timely manner a failure to maintain a discounted value of its portfolio equal to the Basic Maintenance Amount in accordance with the requirements of the applicable rating agency or agencies then rating the preferred shares, including the Series E Preferred Shares, at the request of the Fund, the Fund will be required to mandatorily redeem its preferred shares, including the Series E Preferred Shares, as described below under Redemption.

Any rating agency providing a rating for the preferred shares, including the Series E Preferred Shares, at the request of the Fund may, at any time, change or withdraw any such rating. The Board, without further action by the shareholders, may amend, alter, add to or repeal certain of the definitions and related provisions of the Articles Supplementary that have been adopted by the Fund pursuant to the rating agency guidelines if the Board determines that such modification is necessary to prevent a reduction in rating of the preferred shares, including the Series E Preferred Shares, by Moody s or such other rating agency, as the case may be, and any such amendment, alteration or repeal will be deemed not to affect the preferences, rights or powers of the holders of preferred shares, provided that the Board shall have obtained confirmation from the rating agency that such modification would not adversely affect its then current rating of the preferred shares, including the Series E Preferred Shares.

As described by Moody s, the ratings assigned to each series of preferred shares, including the Series E Preferred Shares, are assessments of the capacity and willingness of the Fund to pay the obligations of each such series. The ratings on these series of preferred shares are not recommendations to purchase, hold or sell shares of any series, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. The rating agency guidelines also do not address the likelihood that an owner of preferred shares will be able to sell such shares on an exchange, in an auction or otherwise. The ratings are based on current information furnished to Moody s by the Fund and the Investment Adviser and information obtained from other sources. The ratings may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

The rating agency guidelines apply to each series of preferred shares, including the Series E Preferred Shares, only so long as such rating agency is rating such series at the request of the Fund. The Fund pays fees to Moody s for rating the Series E Preferred Shares.

Redemption

Mandatory Redemption. Under certain circumstances, the Series E Preferred Shares will be subject to mandatory redemption by the Fund out of funds legally available therefor in accordance with the Articles Supplementary and applicable law.

If the Fund fails to have asset coverage, as determined in accordance with Section 18(h) of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Fund which are stock, including all outstanding Series E Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of declaring dividends on its common stock), as of the last Business Day (as defined below) of March, June, September and December of each year in which any Series E Preferred Shares are outstanding, and such failure is not cured as of the cure date specified in the Articles Supplementary (60 days following such Business Day (as defined below)), (i) the Fund shall give a notice of redemption with respect to the redemption of a sufficient number of its preferred shares, which at the Fund s determination (to the extent permitted by the 1940 Act and Maryland law) may include any proportion of Series E Preferred Shares, to enable it to meet the asset coverage requirements, and, at the Fund s discretion, such additional number of Series E

Table of Contents

Preferred Shares or any other preferred series of the Fund in order for the Fund to have asset coverage with respect to the Series E Preferred Shares and any other series of preferred shares of the Fund remaining outstanding after such redemption of as great as 210%, and (ii) deposit an amount with Computershare Trust Company, N.A., and its successors or any other dividend-disbursing agent appointed by the Fund, having an initial combined value sufficient to effect the redemption of the Series E Preferred Shares or other series of preferred shares of the Fund to be redeemed. Business Day means a day on which the New York Stock Exchange is open for trading and that is neither a Saturday or Sunday.

If the Fund is required to redeem any preferred shares (including Series E Preferred Shares) as a result of a failure to maintain such minimum 1940 Act asset coverage as of an applicable cure date, then the Fund shall, to the extent permitted by the 1940 Act and Maryland law, by the close of business on such cure date fix a redemption date that is on or before the 30 Business Day after such cure date and proceed to redeem the preferred shares, including the Series E Preferred Shares. The Fund may fix a redemption date that is after the 30 Business Day after such cure date if the Board determines, in good faith, that extraordinary market conditions exist as a result of which disposal by the Fund of securities owned by it is not reasonably practicable, or is not reasonably practicable at fair value. On such redemption date, the Fund shall redeem, out of funds legally available therefor, (i) the number of its preferred shares, which, to the extent permitted by the 1940 Act and Maryland law, at the option of the Fund may include any proportion of Series E Preferred Shares or shares of any other series of preferred shares of the Fund, is equal to the minimum number of shares the redemption of which, if such redemption had occurred immediately prior to the opening of business on such cure date, would have resulted in the Fund having asset coverage immediately prior to the opening of business on such cure date in compliance with the 1940 Act or (ii) if asset coverage cannot be so restored, all of the outstanding Series E Preferred Shares, in each case at a price equal to $25.00 per share plus accumulated but unpaid dividends and distributions (whether or not earned or declared by the Fund) through and including the date of redemption. In addition, as reflected above, the Fund may, but is not required to, redeem an additional number of preferred shares (including Series E Preferred Shares) which, when aggregated with all other preferred shares redeemed by the Fund, permits the Fund to have with respect to the preferred shares (including Series E Preferred Shares) remaining outstanding after such redemption a 1940 Act asset coverage of as great as 210%.

Similarly, as reflected above under Rating Agency Guidelines, so long as Moody s or another rating agency is rating the Fund s preferred shares (including the Series E Preferred Shares) at the request of the Fund, the Fund will be required to maintain, on the last Business Day of each month, assets having in the aggregate a discounted value at least equal to the Basic Maintenance Amount. So long as Moody s or another rating agency is rating the Fund s preferred shares (including the Series E Preferred Shares) at the request of the Fund, if the Fund fails to have assets having in the aggregate a discounted value at least equal to the Basic Maintenance Amount as of the last Business Day of any month, and such failure is not cured as of the cure date specified in the Articles Supplementary (10 Business Days following such Business Day), the Fund shall similarly follow the redemption protocol summarized above to restore compliance with the Basic Maintenance Amount, and the Fund may, but is not required to, redeem an additional number of preferred shares (including Series E Preferred Shares) which, when aggregated with all other preferred shares redeemed by the Fund, permits the Fund to have with respect to the preferred shares (including Series E Preferred Shares) remaining outstanding after such redemption assets having in the aggregate a discounted value equal to as great as 110% of the Basic Maintenance Amount.

Optional Redemption. Prior to , 2022, the Series E Preferred Shares are not subject to optional redemption by the Fund unless the redemption is necessary, in the judgment of the Board, to maintain the Fund s status as a RIC under Subchapter M of the Code. Commencing , 2022, and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time upon notice in the manner provided in the Articles Supplementary redeem the Series E Preferred Shares in whole or in part at a price equal to the liquidation preference per share plus accumulated but unpaid dividends through and including the date of redemption.

P-15

Table of Contents

Redemption Procedures. A notice of redemption with respect to an optional redemption will be given to the holders of record of Series E Preferred Shares selected for redemption not less than 15 days (subject to NYSE requirements), nor more than 40 days prior to the date fixed for redemption. Holders of Series E Preferred Shares may receive shorter notice in the event of a mandatory redemption.

Liquidation

In the event of any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the holders of Series E Preferred Shares shall be entitled to receive out of the assets of the Fund available for distribution to shareholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the Fund s common shares or any other shares of the Fund ranking junior to the Series E Preferred Shares as to liquidation payments, a liquidation distribution in the amount of $25.00 per share (the Liquidation Preference), plus an amount equal to all unpaid dividends and distributions accumulated to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund, but excluding interest thereon), and such holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up of the Fund.

If, upon any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the assets of the Fund available for distribution among the holders of all outstanding Series E Preferred Shares and all outstanding shares of any other series of the Fund s preferred shares ranking on a parity with the Series E Preferred Shares as to payment upon liquidation shall be insufficient to permit the payment in full to such holders of Series E Preferred Shares of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to all outstanding shares of such other series of preferred shares of the Fund, then such available assets shall be distributed among the holders of Series E Preferred Shares and such other series of preferred shares of the Fund ratably in proportion to the respective preferential liquidation amounts to which they are entitled. Unless and until the Liquidation Preference plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series E Preferred Shares, no dividends or distributions will be made to holders of the Fund s common shares or any other shares of the Fund ranking junior to the Series E Preferred Shares as to liquidation.

Stock Exchange Listing

Application has been made to list the Series E Preferred Shares on the NYSE. If the application is approved, the Series E Preferred Shares are expected to commence trading on the NYSE under the symbol GGT PrE within thirty days of the date of issuance.

Risks

Risk is inherent in all investing. Therefore, before investing in the Series E Preferred Shares you should consider the risks carefully. See Risk Factors and Special Considerations in the accompanying Prospectus. Primary risks associated with an investment in the Series E Preferred Shares include:

Market Price Risk. The market price for the Series E Preferred Shares will be influenced by changes in interest rates, the perceived credit quality of the Series E Preferred Shares and other factors, and may be higher or lower than the liquidation preference of the Series E Preferred Shares. There is currently no market for the Series E Preferred Shares of the Fund.

Liquidity Risk. Currently, there is no public market for the Series E Preferred Shares of the Fund. As noted above, an application has been made to list the Series E Preferred Shares on the NYSE. However, during an initial period which is not expected to exceed thirty days after the date of its issuance, the Series E Preferred Shares will not be listed on any securities exchange. Before the Series E Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in the Series E Preferred Shares. No assurances can

Table of Contents

be provided that listing on any securities exchange or market making by the underwriters will occur or will result in the market for Series E Preferred Shares being liquid at any time.

Redemption Risk. The Fund may at any time redeem Series E Preferred Shares to the extent necessary to meet regulatory asset coverage requirements or requirements imposed by credit rating agencies. For example, if the value of the Fund s investment portfolio declines, thereby reducing the asset coverage for the Series E Preferred Shares, the Fund may be obligated under the terms of the Series E Preferred Shares to redeem some or all of the Series E Preferred Shares. In addition, commencing , 2022, the Fund will be able to call the Series E Preferred Shares at the option of the Fund. Investors may not be able to reinvest the proceeds of any redemption in an investment providing the same or a higher dividend rate than that of the Series E Preferred Shares. Although unlikely, precipitous declines in the value of the Fund s assets could result in the Fund having insufficient assets to redeem all of the Series E Preferred Shares for the full redemption price.

Subordination Risk. The Series E Preferred Shares are not a debt obligation of the Fund. The Series E Preferred Shares are junior in respect of distributions and liquidation preference to any indebtedness incurred by the Fund, and will have the same priority with respect to payment of distributions and liquidation preference as any other preferred shares that the Fund may issue. The Series E Preferred Shares are subject to greater credit risk than any of the Fund s debt instruments, which would be of higher priority in the Fund s capital structure.

Credit Rating Risk. The Fund is seeking a credit rating on the Series E Preferred Shares. Any credit rating that is issued on the Series E Preferred Shares could be reduced or withdrawn while an investor holds Series E Preferred Shares. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series E Preferred Shares. In addition, a credit rating does not eliminate or mitigate the risks of investing in the Series E Preferred Shares.

Distribution Risk. The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to make distributions on the Series E Preferred Shares.

Interest Rate Risk. The Series E Preferred Shares pay dividends at a fixed rate. Prices of fixed income investments tend to vary inversely with changes in market yields. The market yields on securities comparable to the Series E Preferred Shares may increase, which would likely result in a decline in the value of the Series E Preferred Shares. Additionally, if interest rates rise, securities comparable to the Series E Preferred Shares may pay higher dividend rates and holders of the Series E Preferred Shares may not be able to sell the Series E Preferred Shares at their liquidation preference and reinvest the proceeds at market rates. Market interest rates recently have declined significantly below historical average rates, which may increase the risk that these rates will rise in the future.

Table of Contents

CERTAIN EMPLOYEE BENEFIT PLAN AND IRA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Series E Preferred Shares by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), plans, individual retirement accounts (IRAs) and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include plan assets of any such plan, account or arrangement (each, a Benefit Plan).

ERISA and the Code impose certain duties on persons who are fiduciaries of a Benefit Plan and prohibit certain transactions involving the assets of a Benefit Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan. Moreover, governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and foreign plans (as described in Section 4(b)(4) of ERISA) (each such governmental, church and foreign plan referred to as a Non-ERISA Plan, and together with Benefit Plans, referred to herein as Plans), are not subject to the fiduciary responsibility provisions of Title I of ERISA or Section 4975 of the Code, but may be subject to state, federal or other laws or regulations substantively similar to such portions of ERISA or Section 4975 of the Code (Similar Law).

In considering an investment in the Series E Preferred Shares of a portion of the assets of any Plan, a fiduciary or other person considering the investment should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, Section 4975 of the Code and Similar Law including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA and the Code. The purchase of Series E Preferred Shares by a fiduciary for a Plan should be considered in light of such requirements.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan and certain persons (referred to as parties in interest for purposes of ERISA and disqualified persons for purposes of the Code) having certain relationships to such Benefit Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engaged in a nonexempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and/or the Code (or with respect to certain Benefit Plans, such as IRAs, a prohibited transaction may cause the Benefit Plan to lose its tax-exempt status). In this regard, the U.S. Department of Labor has issued certain prohibited transaction class exemptions (PTCEs) that may apply to the purchase of the Series E Preferred Shares. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, PTCE 84-24 governing purchases of shares in investment companies and PTCE 75-1 respecting sales of securities. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provides a limited exemption, commonly referred to as the service provider exemption, from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between a Benefit Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Benefit Plan involved in the transaction) solely by reason of providing services to the Benefit Plan or by relationship to a service provider, provided that the Benefit Plan receives no less, nor pays no more, than adequate consideration. Each of the above-noted exemptions contains conditions and limitations on its application. Fiduciaries of Benefit Plans considering acquiring the Series E Preferred Shares in reliance on these exemptions or any other exemption should carefully review the exemption to assure it is applicable. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied at the time that the Series E Preferred Shares are acquired, or thereafter while the Series E Preferred Shares are held, if the facts relied upon for utilizing a prohibited transaction exemption change. The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Series E Preferred Shares on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and Similar Law to such investment and whether an exemption would be applicable to the purchase and holding of the Series E Preferred Shares and whether the purchase and holding of Series E Preferred Shares otherwise will be in compliance with the applicable provisions of ERISA, Section 4975 of the Code and Similar Law.

By its acquisition of a Series E Preferred Share, each purchaser will be deemed to represent and warrant that either (i) the purchaser is not acquiring or holding such Series E Preferred Share or an interest therein with the assets of a Plan or (ii) neither the purchase nor the holding (nor disposition) of such Series E Preferred Share or an interest therein by such purchaser will result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

Further, if the purchaser is a Benefit Plan, such purchaser or subsequent transferee will be deemed to have represented and warranted that (1) none of the Fund , the underwriters or any of their respective affiliates (Transaction Parties) has acted as the Benefit Plan s fiduciary (within the meaning of ERISA or the Code), or has been relied upon for any advice, with respect to the purchaser or transferee s decision to acquire the Series E Preferred Shares, and none of the Transaction Parties shall at any time be relied upon as the Benefit Plan s fiduciary with respect to any decision to acquire, continue to hold or transfer the Series E Preferred Shares, and (2) the decision to purchase the Series E Preferred Shares has been made by a duly authorized fiduciary of the Benefit Plan that (i) is independent (as that term is used in 29 C.F.R. 2510.3-21(c)(1), as amended from time to time (the (Fiduciary Rule)) of the Transaction Parties and there is no financial interest, ownership interest, or other relationship, agreement or understanding or otherwise that would limit its ability to carry out its fiduciary responsibility to the Benefit Plan; (ii) is a bank, insurance carrier, registered investment adviser, a registered broker-dealer, or an independent fiduciary that holds, or has under management or control, total assets of at least $50 million (in each case, as specified in the Fiduciary Rule); (iii) is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including, without limitation, with respect to the decision to invest in the Series E Preferred Shares); (iv) has been fairly informed that the Transaction Parties have not and will not undertake to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the purchase of the Series E Preferred Shares; (v) has been fairly informed that the Transaction Parties have financial interests in the Benefit Plan s purchase of the Series E Preferred Shares, which interests may conflict with the interest of the Benefit Plan; (vi) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase the Series E Preferred Shares and is responsible for exercising (and has exercised) independent judgment in evaluating whether to invest the assets of such Benefit Plan in the Series E Preferred Shares; and (vii) is not paying any Transaction Party, any fee or other compensation directly for the provision of investment advice (as opposed to other services) in connection with the Benefit Plan s purchase of the Series E Preferred Shares.

The sale of Series E Preferred Shares to a Plan is in no respect a recommendation by the Fund, the underwriters or any of their respective affiliates with respect to whether any Plan should acquire Series E Preferred Shares or that that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan. Each purchaser and holder of the Series E Preferred Shares has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Series E Preferred Shares does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws.

P-19

Table of Contents

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and UBS Securities LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among the Fund, the Investment Adviser and the underwriters, the Fund has agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from the Fund, the number of Series E Preferred Shares set forth opposite its name below.

Underwriter	Amount Held by Fund or for its Account
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
UBS Securities LLC	
G.research, LLC	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Series E Preferred Shares sold pursuant to the underwriting agreement if any of the Series E Preferred Shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The Fund and the Investment Adviser have each agreed to indemnify the underwriters and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Series E Preferred Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Series E Preferred Shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We expect that delivery of the Series E Preferred Shares will be made against payment therefor on or about the third business day following the date of confirmation of orders with respect to the Series E Preferred Shares (this settlement cycle being referred to as T+3). Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade prior to the delivery of the Series E Preferred Shares hereunder on the date hereof will be required, by virtue of the fact that the Series E Preferred Shares initially settle in T+3, to specify an alternative settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of Series E Preferred Shares who wish to trade the Series E Preferred Shares prior to their date of delivery hereunder should consult their own advisors.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the Series E Preferred Shares to the public at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not in excess of $ per share. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ per share to other underwriters or to certain dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

Table of Contents

The expenses of the offering, not including the underwriting discount, are estimated at $210,000 and are payable by the Fund.

No Sales of Similar Securities

The Fund and the Investment Adviser have agreed that the Fund will not, for a period of 90 days from the date of this Prospectus Supplement, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of its preferred shares or securities exchangeable for or convertible into its preferred shares, except for the Series E Preferred Shares sold to the underwriters pursuant to the underwriting agreement.

New York Stock Exchange

Application has been made to list the Series E Preferred Shares on the NYSE. Prior to the offering, there has been no public market for the Series E Preferred Shares or any other series of preferred shares of the Fund. If the application is approved, the Series E Preferred Shares are expected to commence trading on the NYSE under the symbol GGT PrE within thirty days of the date of issuance. Before the Series E Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in the Series E Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series E Preferred Shares will be illiquid.

If a secondary trading market develops prior to the commencement of trading on the NYSE, holders of the Series E Preferred Shares may be able to sell such shares, however, such shares may trade at discounts from the liquidation preference of the Series E Preferred Shares.

Price Stabilization, Short Positions

Until the distribution of the Series E Preferred Shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing the Series E Preferred Shares. However, the representatives may engage in transactions that have the effect of stabilizing the price of the Series E Preferred Shares, such as purchases and other activities that peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell Series E Preferred Shares in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Series E Preferred Shares than they are required to purchase in the offering. The underwriters must close out any short position by purchasing Series E Preferred Shares in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Series E Preferred Shares in the open market after pricing that could adversely affect investors who purchase in the offering.

The underwriters may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when a representative repurchases Series E Preferred Shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Series E Preferred Shares or preventing or retarding a decline in the market price of the Series E Preferred Shares. As a result, the price of the Series E Preferred Shares may be higher than the price that might otherwise exist in the open market.

None of the Fund, the Investment Adviser or any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series E Preferred Shares. In addition, none of the Fund, the Investment Adviser or any of the underwriters

Table of Contents

makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Fund, the Investment Adviser or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Fund, the Investment Adviser or their respective affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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

G.research, LLC is a wholly owned subsidiary of Institutional Services Holdings, LLC, which in turn is a wholly owned subsidiary of Associated Capital Group, Inc., an affiliate of the Investment Adviser, which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli is a controlling person of G.research, LLC.

The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, New York 10036. The principal business address of UBS Securities LLC is 1285 Avenue of the Americas, New York, New York 10019. The principal business address of G.research, LLC is One Corporate Center, Rye, New York 10580.

LEGAL MATTERS

Certain legal matters will be passed on by Paul Hastings LLP, 200 Park Avenue, New York, New York 10166 in connection with the offering of the shares of preferred stock.

Certain legal matters in connection with this offering will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, New York, New York. Simpson Thacher & Bartlett LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP.

Certain legal matters will be passed on by Venable LLP, Baltimore, Maryland, in connection with the offering of the shares of preferred stock as Maryland counsel to the Fund.

Table of Contents

FINANCIAL STATEMENTS

The audited financial statements included in the annual report to the Fund s shareholders for the year ended December 31, 2016, together with the report of PricewaterhouseCoopers LLP, are incorporated by reference into the SAI.

The unaudited financial statements included in the semiannual report to the Fund s shareholders for the six months ended June 30, 2017 are incorporated by reference into the SAI.

P-23

Table of Contents

Base Prospectus dated September 19, 2017

PROSPECTUS

$400,000,000

THE GABELLI MULTIMEDIA TRUST INC.

Common Stock

Preferred Stock

Subscription Rights to Purchase Common Stock

Subscription Rights to Purchase Preferred Stock

Investment Objectives. The Gabelli Multimedia Trust Inc. (the Fund) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s primary investment objective is long-term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing, and entertainment industries. Income is a secondary objective of the Fund. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its net assets, plus borrowings for investment purposes, in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries (the 80% Policy). A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia related activities. The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least sixty days prior to the implementation of any change in the 80% Policy. The Fund was organized as a Maryland corporation on March 31, 1994 and commenced its investment operations on November 15, 1994. An investment in the Fund is not appropriate for all investors. No assurances can be given that the Fund s objectives will be achieved.

We may offer, from time to time, in one or more offerings, our common stock or preferred stock, each having a par value of $0.001 per share, or our subscription rights to purchase our common stock or preferred stock. Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares.

Our shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission, or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. We may not sell any of our shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our shares. Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol GGT. Our 6.00% Series B Cumulative Preferred Stock (Series B Preferred) is listed on the NYSE under the symbol GGT PrB. Our Series C Auction Rate Cumulative Preferred Stock (Series C Auction Rate Preferred, and together with Series B Preferred, Preferred Stock) is not listed on a stock exchange. On August 22, 2017, the last reported sale price of our common stock was $9.24 per share. The net asset value of the Fund s common stock at the close of business on August 22, 2017 was $9.48 per share. **Shares of closed-end funds could trade at a discount from net asset value. This creates a risk of loss for an investor purchasing shares in a public offering.**

Table of Contents

Investing in the Fund s shares involves risks. See Risk Factors and Special Considerations on page 30 for factors that should be considered before investing in shares of the Fund.

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

These securities have not been approved or disapproved by any securities regulatory authority in Canada. This offering will not be made in any province in Canada where it is not permitted by law.

This Prospectus may not be used to consummate sales of shares by us through agents, underwriters, or dealers unless accompanied by a Prospectus Supplement.

This Prospectus sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the shares, and retain it for future reference. A Statement of Additional Information (the SAI), dated September 19, 2017, 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 Fund s Annual and Semiannual Reports, the SAI, the table of contents of which is on page 66 of this Prospectus, request other information about us, and make stockholder inquiries by calling (800) GABELLI (422-3554), or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission s web site (http://www.sec.gov).

Our 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. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus.

TABLE OF CONTENTS

Table of Contents

PROSPECTUS SUMMARY

This is only a summary of some of the information that is described more fully elsewhere in this Prospectus. This summary may not contain all of the information that you should consider before investing in our shares. You should review the more detailed information contained in this Prospectus and the Statement of Additional Information, dated September 19, 2017 (the SAI).

The Fund	The Gabelli Multimedia Trust Inc. is a non-diversified, closed-end management investment company organized as a Maryland corporation on March 31, 1994. Throughout this Prospectus, we refer to The Gabelli Multimedia Trust Inc. as the Fund, or as we. See The Fund.
The Offering	We may offer, from time to time, in one or more offerings, our common or preferred stock, $0.001 par value per share. The shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). We may also offer subscription rights to purchase our common or preferred stock. The offering price per share of our common stock will not be less than the net asset value per share of our common stock at the time we make the offering, exclusive of any underwriting commissions or discounts, provided that transferable rights offerings that meet certain conditions may be offered at a price below the then current net asset value. See Rights Offerings. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares. Our shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters, or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters, or dealers involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. We may not sell any of our shares through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our shares. Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol GGT. Our 6.00% Series B Cumulative Preferred Stock (Series B Preferred) is listed on the NYSE under the symbol GGT PrB. Our Series C Auction Rate Cumulative Preferred Stock (Series C Auction Rate Preferred, together with the Series B Preferred, Preferred Stock) is not listed on a stock exchange. The Fund completed its redemption of its 7.92% Tax Advantaged Cumulative Preferred Stock (the Series A Preferred) on April 2, 2003. The Series B Preferred and the

Series C Auction Rate Preferred have the same seniority with respect to distributions and liquidation preference. On August 22, 2017, the last reported sale

3

Table of Contents

price of our common stock was $9.24. The net asset value of the Fund s common stock at the close of business on August 22, 2017, was $9.48 per share. As of December 31, 2016, the Fund had outstanding 24,308,212 shares of common stock; 791,014 shares of Series B Preferred and 600 shares of Series C Auction Rate Preferred.

Investment Objectives and Policies

The Fund s primary investment objective is long term growth of capital, primarily through investment in a portfolio of common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing, and entertainment industries. Income is a secondary objective of the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its net assets, plus borrowings for investment purposes, in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries (the 80% Policy). The Fund may invest in companies of any size market capitalization. The Fund may also invest, without limitation, in foreign securities. The Fund may also invest in securities of companies located in emerging markets.

A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia related activities. The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least sixty days prior to the implementation of any change in the 80% Policy.

No assurance can be given that the Fund s investment objectives will be achieved. The investment objectives of long term growth of capital and income are fundamental policies of the Fund. The Fund s policy of concentration in companies in the communications industries is also a fundamental policy of the Fund. These fundamental policies may not be changed without the approval of the holders of a majority if the Fund s outstanding voting securities, as defined in the 1940 Act.

Investing in securities of foreign issuers, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluations of currencies. See Investment Objectives and Policies.

Common Stock

Currently, 196,750,000 of the Fund s capital stock, which includes the common stock being registered with this registration statement, have been classified by the Board of Directors of the Fund (the Board) or any duly authorized committee thereof as common stock, par value $0.001 per share. Holders of the common stock are entitled to one vote per share held. Holders of the common stock are entitled to share equally in distributions authorized by the Fund s Board

4

Table of Contents

payable to the holders of such shares and in the net assets of the Fund available on liquidation for distribution to holders of such shares. The shares of common stock have noncumulative voting rights and no conversion, preemptive or other subscription rights, and are not redeemable. In the event of liquidation, each share of Fund common stock is entitled to its proportion of the Fund s assets after payment of debts and expenses and the amounts payable to holders of the Fund s preferred stock ranking senior to the shares of common stock of the Fund. As of December 31, 2016, the net assets of the Fund attributable to its shares of common stock were $197,623,358. As of December 31, 2016, 24,308,212 shares of common stock of the Fund were outstanding.

Preferred Stock

On March 31, 2003, the Fund completed the placement of $25 million of the Series B Preferred and $25 million of Series C Auction Rate Preferred. The Preferred Stock is senior to the common stock and results in the financial leveraging of the common stock. Such leveraging tends to magnify both the risks and opportunities to common stockholders. Dividends on the Preferred Stock are cumulative. The Fund is required by the 1940 Act and by the articles supplementary classifying and designating the series of Preferred Stock (the Articles Supplementary) to meet certain asset coverage tests with respect to the Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Preferred Stock. For the Series B Preferred, the redemption price is $25 per share plus an amount equal to any accumulated but unpaid dividends (whether or not earned or declared) to the redemption date. For the Series C Auction Rate Preferred, the redemption price is $25,000 per share plus an amount equal to any accumulated but unpaid dividends (whether or not earned or declared) to the redemption date. Dividend rates for the Series C Auction Rate Preferred are cumulative at a rate that may be reset every seven days based on the results of an auction, or not in excess of a maximum rate. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund s ability to pay dividends to common stockholders and could lead to sales of portfolio securities at inopportune times. If the Fund has insufficient investment income and gains, all or a portion of the distributions to preferred stockholders would come from the common stockholders capital. Such distributions reduce the net assets attributable to common stockholders since the liquidation value of the preferred stockholders is constant.

As of December 31, 2016, the Fund had 791,014 shares of 6% Series B Preferred and 600 shares of Series C Auction Rate Preferred outstanding.

The Fund may issue additional series of preferred stock to leverage its investments. If the Fund s Board (each member of the Board individually, a Director) determines that it may be advantageous to

5

the holders of the Fund s common stock for the Fund to utilize such leverage, the Fund may issue additional series of preferred stock. Any preferred stock issued by the Fund will pay distributions either at a fixed rate or at rates that will be reset frequently based on short-term interest rates. Leverage creates a greater risk of loss as well as a potential for more gains for the common stock than if leverage were not used. See Risk Factors and Special Considerations Leverage Risk. The Fund may also engage in investment management techniques which will not be considered senior securities if the Fund establishes in a segregated account cash or other liquid securities equal to the Fund s obligations in respect of such techniques.

Dividends and Distributions

Preferred Stock Distributions. In accordance with the 1940 Act, all preferred stock of the Fund must have the same seniority with respect to distributions. Accordingly, no full distribution will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred stock of the Fund, any distributions on such preferred stock will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred stock on the relevant dividend payment date.

In the event that for any calendar year the total distributions on shares of the Fund s preferred stock exceed the Fund s current and accumulated earnings and profits allocable to such shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder s tax basis in the shares). Stockholders should not assume that the source of a distribution from the Fund is net profit. Distributions sourced from paid-in capital should not be considered the current yield or the total return from an investment in the Fund. The amount treated as a tax-free return of capital will reduce a stockholder s adjusted tax basis in the preferred stock, thereby increasing the stockholder s potential taxable gain or reducing the potential loss on the sale of the shares.

The distributions to the Fund s preferred stockholders for the fiscal year ended December 31, 2016, were comprised of net investment income, short term capital gains and long term capital gains. The Fund did make return of capital distributions to preferred stockholders in 2009 and 2008.

Fixed Rate Preferred Stock. Distributions on Fixed Rate Preferred Stock, at the applicable annual rate of the per share liquidation preference, are cumulative from the original issue date and are payable, when, as and if authorized by the Board and declared by the Fund, out of funds legally available therefor.

Table of Contents

Auction Rate Preferred Stock. The holders of Auction Rate Preferred Stock are entitled to receive cash distributions, stated at annual rates of the applicable per share liquidation preference, that vary from dividend period to dividend period. Dividend rates for the Series C Auction Rate Preferred are cumulative at a rate that may be reset every seven days based on the results of an auction, or not in excess of a maximum rate.

Common Stock Distributions. In order to allow its common stockholders to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a managed distribution policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund s preferred stock. Distributions on the Fund s common stock may contain a return of capital. Any return of capital should not be considered by investors as yield or total return on their investment in the Fund. Distributions sourced from return of capital should not be considered as dividend yield or the total return from an investment in the Fund. **Stockholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Stockholders should not assume that the source of a distribution from the Fund is net profit.** The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year s distributions will be based on the Fund s investment activity through the end of the calendar year.

For the fiscal year ended December 31, 2016, the Fund made distributions of $0.83 per share of common stock, of which approximately $0.03 was deemed a return of capital. The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year s distributions will be based on the Fund s investment activity through the end of the calendar year.

Limitations on Distributions. If at any time the Fund has borrowings outstanding, the Fund will be prohibited from paying any distributions on any of its common stock (other than in additional stock), and from repurchasing any of its common stock or preferred stock, unless, the value of its total assets, less certain ordinary course liabilities, exceed 300% of the amount of the debt outstanding and exceed 200% of the sum of the amount of debt and preferred stock outstanding. In addition, in such circumstances the Fund will be prohibited from paying any sister distributions on its preferred stock unless the value of its total assets, less certain ordinary course liabilities, exceed 200% of the amount of debt outstanding. See Dividends and Distributions.

Use of Proceeds

Unless otherwise specified in a prospectus supplement, the Fund will invest the net proceeds of any offering in accordance with the Fund s investment objectives and policies, and may use a portion of such proceeds, depending on market conditions, for other general corporate purposes, including the continuation of the Fund s managed distribution policy. The Investment Adviser anticipates that investment of the proceeds will be made in accordance with the Fund s investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed in approximately three months; however, the identification of appropriate investment opportunities pursuant to the Investment Adviser s investment style or changes in market conditions may cause the investment period to extend as long as six months. The Fund may also use net proceeds to redeem existing series of Preferred Stock. Pending such investment, the proceeds will be held in high quality short-term debt securities and instruments. See Use of Proceeds.

Exchange Listing

The Fund s common stock is listed on the NYSE, under the trading or ticker symbol GGT. Currently, the Series B Preferred is listed on the NYSE under the symbol GGT PrB. The Series C Auction Rate Preferred is not listed on a stock exchange. Any additional series of fixed rate preferred stock would also likely be listed on a stock exchange. See Description of Capital Stock.

Market Price of Shares

Shares of common stock of closed-end investment companies often trade on an exchange at prices lower than their net asset value. Shares of common stock of closed-end investment companies may trade during some periods at prices higher than their net asset value and during other periods at prices lower than their net asset value. The Fund cannot assure you that its common stock will trade at a price higher than or equal to net asset value. The Fund s net asset value will be reduced immediately following this offering by the sales load and the amount of the offering expenses paid by the Fund. See Use of Proceeds.

In addition to net asset value, the market price of the Fund s common stock may be affected by such factors as the Fund s dividend and distribution levels (which are affected by expenses) and stability, market liquidity, market supply and demand, unrealized gains, general market and economic conditions, and other factors. See Risk Factors and Special Considerations, Description of Capital Stock and Repurchase of Common Stock.

Table of Contents

The common stock is designed primarily for long term investors, and you should not purchase shares of common stock of the Fund if you intend to sell them shortly after purchase.

Fixed rate preferred stock may also trade at premiums to or discounts from their liquidation preference for a variety of reasons, including changes in interest rates.

Risk Factors and Special Considerations Risk is inherent in all investing. Therefore, before investing in shares of the Fund, you should consider the following risks carefully.

Leverage Risk. The Fund currently uses, and intends to continue to use, financial leverage for investment purposes by issuing preferred stock. As of December 31, 2016, the amount of leverage represented approximately 15% of the Fund s net assets. The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for preferred stock. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make distributions on the preferred stock, or to redeem preferred stock when it may be disadvantageous to do so. The Fund may not be permitted to declare dividends or distributions with respect to common stock or preferred stock, or purchase common stock or preferred stock unless at such time the Fund meets certain asset coverage requirements. In addition, the Fund may not be permitted to pay distributions on common stock unless all distributions on preferred stock and/or accrued interest on borrowings have been paid, or set aside for payment. Any preferred stock currently outstanding or that the Fund issues in the future would subject the Fund to certain asset coverage requirements under the 1940 Act that could, under certain circumstances, restrict the Fund from making distributions necessary to qualify as a registered investment company. If the Fund is unable to obtain cash from other sources, the Fund may fail to qualify as a registered investment company and, thus, may be subject to income tax as an ordinary corporation. See Investment Objectives and Policies Leveraging and Risk Factors and Special Considerations Leverage Risk.

Special Risks to Holders of Fixed Rate Preferred Stock. Prior to any offering, there will be no public market for any additional series of fixed rate preferred stock. In the event any additional series of fixed rate preferred stock are issued, prior application will have been made to list such shares on a national securities exchange, which will likely be the

NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, such shares may not be listed on any securities exchange. During such period, the underwriters may make a market in such shares, although they will have no obligation to do so. Consequently, an investment in such shares may be illiquid during such period. Shares of fixed rate preferred stock may trade at a premium to or discount from liquidation value for various reasons, including changes in interest rates.

Special Risks for Holders of Series C Auction Rate Preferred.

Auction Risk. You may not be able to sell your Series C Auction Rate Preferred at an auction if the auction fails, i.e., if more Series C Auction Rate Preferred is offered for sale than there are buyers for those shares. Also, if you place an order (a hold order) at an auction to retain Series C Auction Rate Preferred only at a specified rate that exceeds the rate set at the auction, you will not retain your Series C Auction Rate Preferred. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the Series C Auction Rate Preferred, which could also affect the liquidity of your investment. Since February 2008, most auction rate preferred stock, including our Series C Auction Rate Preferred, have had failed auctions and holders of such stock have suffered reduced liquidity.

Secondary Market Risk. If you try to sell your Series C Auction Rate Preferred between auctions, you may not be able to sell them for their liquidation preference per share or such amount per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that maintain a secondary trading market for the Series C Auction Rate Preferred are not required to maintain this market, and the Fund is not required to redeem Series C Auction Rate Preferred if either an auction or an attempted secondary market sale fails because of a lack of buyers. The Series C Auction Rate Preferred will not be registered on a stock exchange. If you sell Series C Auction Rate Preferred to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special dividend period. Since February 2008, most auction rate preferred stock, including our Series C Auction Rate Preferred, have had failed auctions and holders of such stock have suffered reduced liquidity, including the inability to sell such stock in a secondary market.

Our Subscription Rights. There is a risk that changes in yield or changes in the credit quality of the Fund may result in the underlying shares of preferred stock purchasable upon exercise of the subscription rights being less attractive to investors at the conclusion

Table of Contents

of the subscription period. This may reduce or eliminate the value of the subscription rights. Investors who receive subscription rights may find that there is no market to sell rights they do not wish to exercise. Further, if investors exercise only a portion of the rights, the number of shares of preferred stock or shares of common stock issued may be reduced, and the preferred stock or common stock may trade at less favorable prices than larger offerings for similar securities.

Common Stock Distribution Policy Risk. The Fund has adopted a policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the preferred stock. Distributions on the Fund s common stock may contain a return of capital. Any return of capital should not be considered by investors as yield or total return on their investment in the Fund. For the fiscal year ended December 31, 2016, the Fund paid a return of capital. Distributions sourced from return of capital should not be considered as dividend yield or the total return from an investment in the Fund. **Stockholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Stockholders should not assume that the source of a distribution from the Fund is net profit.** The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year s distributions will be based on the Fund s investment activity through the end of the calendar year.

Market Loss. Shares of closed-end funds frequently trade at a market price that is less than the value of the net assets attributable to those shares. The possibility that shares of the Fund will trade at a discount from net asset value or at premiums that are unsustainable over the long term are risks separate and distinct from the risk that the Fund s net assets will decrease. The risk of purchasing shares of a closed-end fund that might trade at a discount or unsustainable premium is more pronounced for investors who wish to sell their shares in a relatively short period of time because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund s common stock is not subject to redemption. The Fund s Series B Preferred and Series C Auction Rate Preferred are subject to redemption only under limited circumstances. Stockholders desiring liquidity may, subject to applicable securities law, trade their common stock and Series B Preferred in the Fund on the NYSE or other markets on which such shares may trade at the then current market

11

value, which may differ from the then current net asset value. See Risk Factors and Special Consideration Market Value and Net Asset Value.

Non-Diversified Status. As a non-diversified, closed-end management investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than may a diversified fund, and accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See Risk Factors and Special Considerations Non-Diversified Status.

Industry Concentration Risk. The Fund invests a significant portion of its assets in companies in the telecommunications, media, publishing, and entertainment industries and, as a result, the value of the Fund s shares will be more susceptible to the factors affecting those particular types of companies, including government regulation, greater price volatility for the overall market, rapid obsolescence of products and services, intense competition, and strong market reactions to technological developments. See Risk Factors and Special Considerations Industry Concentration Risk.

Smaller Companies Risk. The Fund invests in smaller companies which may benefit from the development of new products and services. These smaller companies may involve greater investment risk than large, established issuers. See Risk Factors and Special Considerations Smaller Companies.

Interest Rate Transactions. The Fund may enter into an interest rate swap or cap transaction with respect to all or a portion of any series of variable rate preferred stock. Through these transactions, the Fund would seek to obtain the equivalent of a fixed rate for a series of variable rate preferred stock that is lower than the rate the Fund would have to pay if it issued fixed rate preferred stock. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. The Fund will enter into an interest rate swap or cap transaction only with counterparties that the Investment Adviser believes are creditworthy. Further, the Investment Adviser monitors the credit worthiness of a counterparty in an interest rate or cap transaction on an ongoing basis. See How the Fund Manages Risk Interest Rate Transactions.

Foreign Securities. There is no limitation on the amount of foreign securities in which the Fund may invest. Investing in securities of foreign companies (or foreign governments), which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See Risk Factors and Special Considerations Foreign Securities.

Emerging Markets Risk. The Fund may invest in securities of issuers whose primary operations or principal trading market is in an emerging market. An emerging market country is any country that is considered to be an emerging or developing country by the International Bank for Reconstruction and Development (the World Bank). Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Other risks include high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries; overdependence on exports; overburdened infrastructure and obsolete or unseasoned financial systems; environmental problems; less developed legal systems; and less reliable securities custodial services and settlement practices. See Risk Factors and Special Considerations Emerging Markets Risk.

Dependence on Key Personnel. The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement, or inability to act on behalf of the Investment Adviser. See Risk Factors and Special Considerations Dependence on Key Personnel.

Taxation. The Fund has qualified, and intends to remain qualified, for federal income tax purposes as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability

13

Table of Contents

to meet such distribution requirements. See Taxation for a more complete discussion of these and other federal income tax considerations.

Government Intervention in Financial Markets Risk. Events in the financial sector over the past several years have resulted in reduced liquidity in credit and fixed income markets and in an unusually high degree of volatility in the financial markets, both domestically and internationally. While entire markets have been impacted, issuers that have exposure to the real estate, mortgage and credit markets have been particularly affected. These events and the potential for continuing market turbulence may have an adverse effect on the Fund s investments. It is uncertain how long these conditions will continue.

Recent instability in the financial markets has led governments and regulators around the world to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Governments, their regulatory agencies, or self-regulatory organizations may take actions that affect the regulation of the instruments in which the Fund invests, or the issuers of such instruments, in ways that are unforeseeable. Legislation or regulation may also change the way in which the Fund is regulated. Such legislation or regulation could limit or preclude the Fund s ability to achieve its investment objective.

Governments or their agencies may also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear, and such a program may have positive or negative effects on the liquidity, valuation and performance of the Fund s portfolio holdings. Furthermore, volatile financial markets can expose the Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Fund.

Voters in the United Kingdom voted to leave the European Union (Brexit). As a result of this decision, the financial markets experienced high levels of volatility and it is likely that, in the near term, Brexit will continue to bring about higher levels of uncertainty and volatility. It is possible, that certain economic activity will be curtailed until some signs of clarity begin to emerge, including negotiations around the terms for United Kingdom s exit out of the European Union.

Change in Presidential Administration. In addition to the risks discussed above, the change in presidential administration could significantly impact the regulation of U.S. financial markets. Areas subject to potential change, amendment or repeal include the

14

Dodd-Frank Act, including the Volcker Rule and various swaps and derivatives regulations, the authority of the Federal Reserve and FSOC, and renewed proposals to separate banks commercial and investment banking activities. Other potential changes that could be pursued by the new presidential administration could include the United States withdrawal from, or attempt to renegotiate, various trade agreements or the taking of other actions that would change current trade policies of the United States. It is not possible to predict which, if any, of these actions will be taken or, if taken, their effect on the economy, securities markets or the financial stability of the United States. A Fund may be affected by governmental action in ways that are not foreseeable, and there is a possibility that such actions could have a significant adverse effect on a Fund and its ability to achieve its investment objective.

Management and Fees

Gabelli Funds, LLC serves as the Fund s investment adviser. The Investment Adviser s fee is computed weekly and paid monthly, equal on an annual basis to 1.00% of the Fund s average weekly net assets including the liquidation value of preferred stock. The fee paid by the Fund may be higher when leverage in the form of preferred stock is utilized, giving the Investment Adviser an incentive to utilize such leverage. However, the Investment Adviser has agreed to reduce the management fee on the incremental assets attributable to the currently outstanding Series B Preferred Stock and Series C Auction Rate Preferred Stock during the fiscal year if the total return on the net asset value of the common stock of the Fund, including distributions and advisory fees subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period. In other words, if the effective cost of the leverage for any series of preferred stock exceeds the total return (based on net asset value) on the Fund s common stock, the Investment Adviser will reduce that portion of its management fee on the incremental assets attributable to the leverage for that series of preferred stock to mitigate the negative impact of the leverage on the common stockholder s total return. The Investment Adviser currently intends that the voluntary advisory fee waiver will remain in effect for as long as the 6.00% Series B Cumulative Preferred Stock and Series C Auction Rate Cumulative Preferred Stock are outstanding. This fee waiver will not apply to any preferred stock issued from this offering. The Investment Adviser, however, reserves the right to modify or terminate the voluntary advisory fee waiver at any time. The Fund s total return on the net asset value of the common stock is monitored on a monthly basis to assess whether the total return on the net asset value of the common stock exceeds the stated dividend rate or corresponding swap rate of each particular series of preferred stock for the period.

The test to confirm the accrual of the management fee on the assets attributable to each particular series of preferred stock is annual. The Fund will accrue for the management fee on these assets during the

15

Table of Contents

fiscal year if it appears probable that the Fund will incur the management fee on those additional assets. See Management of the Fund.

For the year ended December 31, 2016, the Fund s total return on the net asset value of the common stock exceeded the stated dividend rate of the outstanding preferred stock. Thus, management fees were earned on these assets.

A discussion regarding the basis for the Board s approval of the continuation of the investment advisory contract of the Fund is available in the Fund s semiannual report to stockholders for the six months ended June 30, 2017.

Repurchase of Common Stock

The Board has authorized the Fund to repurchase up to 1,950,000 shares of its common stock on the open market when the shares are trading at a discount of 5% or more (or such other percentage as the Board may determine from time to time) from the net asset value of the shares. Although the Fund s Board has authorized such repurchases, the Fund is not required to repurchase its common stock. In total through December 31, 2016, the Fund has repurchased and retired 1,567,558 shares in the open market at an average investment of $8.20 per share and at an average discount of approximately 15% from its net asset value. Such repurchases are subject to certain notice and other requirements under the 1940 Act. See Repurchase of Common Stock.

Anti-Takeover Provisions

Certain provisions of Maryland law and of the Fund s charter (the Charter) and the Bylaws of the Fund, as amended from time to time (the Bylaws and, together with the Charter, the Governing Documents), may be regarded as anti-takeover provisions. Pursuant to these provisions, only one of the three classes of Directors is elected each year, and the affirmative vote or consent of the holders of 66 2/3% of the Fund s outstanding shares of each class (voting separately) is required to authorize the conversion of the Fund from a closed-end to an open-end investment company. The overall effect of these provisions and other provisions applicable to principal stockholders of the Fund, if any, may render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their stock at a premium to the prevailing market price. See Certain Provisions of the Fund s Governing Documents and Maryland Law.

Custodian, Transfer Agent, Auction Agent, and Dividend Disbursing Agent

State Street Bank and Trust Company (the Custodian), located at 1776 Heritage Drive, North Quincy, Massachusetts 02171, serves as the custodian of the Fund s assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund s assets in compliance with the 1940 Act. For its services, the Custodian will

Table of Contents

receive a monthly fee based upon the average weekly value of the total assets of the Fund, plus certain charges for securities transactions.

Computershare Trust Company, N.A. (Computershare), located at 250 Royall Street, Canton, Massachusetts 02021, serves as the Fund s dividend disbursing agent, as agent under the Fund s automatic dividend reinvestment and voluntary cash purchase plan (the Plan), and as transfer agent and registrar with respect to the common stock of the Fund. Computershare also serves as the transfer agent, registrar, dividend paying agent, and redemption agent with respect to the Series B Preferred.

The Bank of New York Mellon, located at 101 Barclay Street, New York, New York 10286, serves as the auction agent, transfer agent, registrar, dividend paying agent, and redemption agent with respect to the Series C Auction Rate Preferred. See Custodian, Transfer Agent, Auction Agent, and Dividend Disbursing Agent.

Table of Contents

SUMMARY OF FUND EXPENSES

The following table shows the Fund s expenses, including preferred stock offering expenses, as a percentage of net assets attributable to common stock.

Stockholder Transaction Expenses	
Sales Load (as a percentage of offering price)	1.91%(1)
Offering Expenses (excluding Preferred Stock Offering Expenses) (as a percentage of offering price)	0.41%(1)
Dividend Reinvestment Plan Fees	None (2)
Preferred Stock Offering Expenses (as a percentage of net assets attributable to common stock)	0.14%(3)
Annual Expenses (as a percentage of net assets attributable to common stock)	
Management Fees	1.48%(4)
Interest Payments on Borrowed Funds	None
Other Expenses	0.22%(4)
Total Annual Expenses	1.70%
Dividends on Preferred Stock	2.58%(5)
Total Annual Expenses and Dividends on Preferred Stock	4.28%

(1) Estimated maximum amount based on offering of $230 million in shares of common stock and $170 million in shares of preferred stock. The estimates assume a 1% sales load on shares of common stock and $935,000 in common offering expenses, and 3.15% sales load on shares of preferred stock and $609,000 in preferred offering expenses. Actual sales loads and offering expenses may be higher or lower than these estimates and will be set forth in the Prospectus Supplement if applicable.

(2) Stockholders participating in the Fund s Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans would pay $0.75 plus their pro rata share of brokerage commissions per transaction to purchase shares and $2.50 plus their pro rata share of brokerage commissions per transaction to sell shares. See Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans.

(3) Assumes issuance of $170 million in liquidation preference of shares of Fixed Rate Preferred Stock, net assets attributable to shares of common stock of approximately $427.6 million (which includes issuance of $230 million in shares of common stock) and $609,000 in preferred offering expenses. The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

(4) The Investment Adviser s fee is 1.00% annually of the Fund s average weekly net assets, plus assets attributable to outstanding senior securities, with no deduction for the liquidation preference of any outstanding preferred stock. Consequently, if the Fund has preferred stock outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common stock will be higher than if the Fund does not utilize a leveraged capital structure. Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

(5) Dividends on Preferred Stock represent the aggregate of (1) the estimated annual distributions on the existing preferred stock outstanding and (2) the distributions that would be made assuming $170 million of preferred stock is issued with a fixed dividend rate of 5.70%. There can, of course, be no guaranty that any preferred stock would be issued or, if issued, the terms thereof.

The purpose of the table above and the example below is to help you understand all fees and expenses that you, as a holder of common stock, would bear directly or indirectly.

The following example illustrates the expenses (including the maximum estimated sales load on common stock of $10 and on preferred stock of $31.50 and estimated offering expenses of $3.61 from the issuance of $230 million in common stock and $170 million in preferred stock) you would pay on a $1,000 investment in common stock followed by the preferred stock offering assuming a 5% annual portfolio total return.* The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

Table of Contents

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$ 65	$ 150	$ 236	$ 456

* **The Example should not be considered a representation of future expenses**. The example is based on Total Annual Expenses and Dividends on Preferred Stock shown in the table above and assumes that the amounts set forth in the Annual Expenses table are accurate and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

The example includes Dividends on Preferred Stock. If Dividends on Preferred Stock were not included in the example calculation, the expenses would be as follows (based on the same assumptions as above).

	1 Year	3 Years	5 Years	10 Years
Total Expenses Incurred	$ 40	$ 75	$ 113	$ 219

The foregoing fee table and example are intended to assist investors in understanding the costs and expenses that an investor in the Fund will bear directly or indirectly, and include the costs and expenses borne by an investor in common stock of the Fund in connection with an offering of Preferred Stock of the Fund, in addition to the cost of servicing Preferred Stock.

The table above and the assumption in the example of a 5% annual return are required by the Securities and Exchange Commission (SEC) regulations applicable to all management investment companies. THE EXAMPLE AND FEE TABLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR RATES OF RETURN. THE ACTUAL EXPENSES OF THE FUND MAY BE GREATER OR LESS THAN THOSE SHOWN. For more complete descriptions of certain of the Fund s cost and expenses, see Management of the Fund in this Prospectus and the SAI.

Table of Contents

FINANCIAL HIGHLIGHTS

The following financial highlights tables are intended to help you under the Fund s financial performance. The selected data below sets forth the per share operating performance and ratios for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund and Notes thereto, which are incorporated by reference into this Prospectus and the SAI. The financial information for the period ended June 30, 2017 is unaudited. The financial information for the year ended December 31, 2016, and for each of the preceding four fiscal periods, has been audited by PricewaterhouseCoopers LLP, the Fund s independent registered public accounting firm, whose unqualified report on such Financial Statements is incorporated by reference into the SAI.

Selected data for a share of common stock outstanding throughout each year:

	Six Months Ended June 30, 2017 (Unaudited)	**For the Year Ended December 31, 2016**	**2015**	**2014**	**2013**	**2012**
Operating Performance:						
Net asset value, beginning of year	$ 8.13	$ 8.36	$ 9.81	$ 10.90	$ 8.22	$ 7.48
Net investment income	0.03	0.05	0.03	0.05	0.06	0.13
Net realized and unrealized gain/(loss) on investments and foreign currency transactions	1.33	0.60	(0.49)	0.42	3.61	1.48
Total from investment operations	1.36	0.65	(0.46)	0.47	3.67	1.61
Distributions to Preferred Shareholders: (a)						
Net investment income	(0.01)*	(0.00)[b]	(0.00)[b]	(0.00)[b]	(0.01)	(0.03)
Net realized gain	(0.02)*	(0.05)	(0.05)	(0.06)	(0.06)	(0.04)
Total distributions to preferred shareholders	(0.03)	(0.05)	(0.05)	(0.06)	(0.07)	(0.07)
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	1.33	0.60	(0.51)	0.41	3.60	1.54
Distributions to Common Shareholders:						
Net investment income	(0.02)*	(0.06)	(0.03)	(0.02)	(0.05)	(0.07)
Net realized gain	(0.07)*	(0.74)	(0.89)	(0.88)	(0.87)	(0.08)
Return of capital	(0.35)*	(0.03)	(0.02)	(0.15)		(0.65)

Total distributions to common shareholders	(0.44)	(0.83)	(0.94)	(1.05)	(0.92)	(0.80)
Fund Share Transactions:						
Decrease in net asset value from common shares issued in rights offering				(0.44)		
Increase in net asset value from repurchase of common shares	0.00[(b)]					0.00[(b)]
Increase in net asset value from common shares issued upon reinvestment of distributions				0.00[(b)]	0.00[(b)]	
Increase in net asset value from redemption of preferred shares	0.12					
Offering expenses charged to paid-in capital			(0.00)[(b)]	(0.01)		(0.00)[(b)]
Total Fund share transactions	0.12		(0.00)[(b)]	(0.45)	0.00[(b)]	0.00[(b)]
Net Asset Value Attributable to Common Shareholders, End of Period	$ 9.14	$ 8.13	$ 8.36	$ 9.81	$ 10.90	$ 8.22
NAV total return	18.08%	7.59	(5.57)%	4.17%	45.77%	22.29%
Market value, end of period	$ 8.94	$ 7.24	$ 7.50	$ 10.01	$ 12.40	$ 7.85
Investment total return	21.73%	7.97%	(16.33)%	(6.63)%	73.37%	40.00%

20

Table of Contents

	Six Months Ended June 30, 2017 (Unaudited)	For the Year Ended December 31,				
		2016	2015	2014	2013	2012
Ratios to Average Net Assets and Supplemental Data:						
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 241,909	$ 232,399	$ 238,049	$ 273,307	$ 232,399	$ 182,899
Net assets attributable to common shares, end of period (in 000 s)	$ 221,884	$ 197,623	$ 203,274	$ 238,532	$ 197,624	$ 148,124
Ratio of net investment income/(loss) to average net assets attributable to common shares before preferred share distributions	0.63%(c)	0.70%	0.33%	0.13%	0.60%	1.68%
Ratio of operating expenses to average net assets attributable to common shares before fees waived/fee reduction	1.38%(c)	1.49%(d)(e)	1.45%(d)	1.59%	1.55%	1.84%(f)
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any	1.38%(c)(d)	1.49%(d)(e)	1.30%(d)	1.50%	1.55%	1.84%(f)
Ratio of operating expenses to average net assets including liquidation value of preferred shares	1.20%(c)(d)	1.27%(d)(e)	1.26%(d)	1.37%	1.29%	1.48%(g)

before fees waived/fee reduction						
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any	1.20%(c)(d)	1.27%(d)(e)	1.13%(d)	1.29%	1.29%	1.48%(g)
Portfolio turnover rate	5.0%	10.3%	14.0%	16.0%	12.7%	7.9%

21

Table of Contents

	Six Months Ended June 30, 2017 (Unaudited)	For the Year Ended December 31, 2016	2015	2014	2013	2012
Preferred Stock:						
6.00% Series B Cumulative Preferred Stock						
Liquidation value, end of period (in 000 s)	$ 19,775	$ 19,775	$ 19,775	$ 19,775	$ 19,775	$ 19,775
Total shares outstanding (in 000 s)	791	791	791	791	791	791
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00	$ 25.00
Average market value (h)	$ 26.14	$ 26.42	$ 25.80	$ 25.41	$ 25.45	$ 25.73
Asset coverage per share (i)	$ 302.00	$ 167.07	$ 171.13	$ 196.48	$ 167.07	$ 131.49
Series C Auction Rate Cumulative Preferred Stock						
Liquidation value, end of period (in 000 s)	$ 250	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
Total shares outstanding (in 000 s)	0(j)	1	1	1	1	1
Liquidation preference per share	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Liquidation value (k)	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
Asset coverage per share (i)	$ 302,004	$ 167,071	$ 171,134	$ 196,481	$ 167,072	$ 131,486
Asset Coverage (l)	1,208%	668%	685%	786%	668%	526%

For the six months ended June 30, 2017, and the years ended December 31, 2016, 2015, 2014, and 2013 based on net asset value per share, adjusted for reinvestment of distributions of net asset value on the ex-dividend date. The year ended 2012, was based on net asset value per share, adjusted for reinvestment of distributions at prices determined under the Fund s dividend reinvestment plan including the effect of shares issued pursuant to the 2014 rights offering, assuming full subscription by shareholders.

Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund s dividend reinvestment plan including the effect of shares issued pursuant to the 2014 rights offering, assuming full subscription by shareholders.

* Based on year to date book income. Amounts are subject to change and recharacterization at year end.

(a) Calculated based on average common shares outstanding on the record dates throughout the periods.

(b) Amount represents less than $0.005 per share.

(c) Annualized.

(d) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, there was no impact on the expense ratios.

(e) During the year ended December 31, 2016, the fund received a one time reimbursement of custody expenses paid in prior years. Had such reimbursement been included in this period, the annualized expense ratios would have been 1.32% attributable to common shares before fees waived, 1.32% attributable to common shares net of advisory fee reduction, 1.13% including liquidation value of preferred shares before fees waived, and 1.13% including liquidation value of preferred shares net of advisory fee reduction.

(f) These ratios do not include a reduction for insurance recovery of $300,000 and the prior period adjustment to legal expenses of $227,762. Had these amounts been included, the ratios for the year ended December 31, 2012 would have been 1.47%.

22

Table of Contents

(g) These ratios do not include a reduction for insurance recovery of $300,000 and the prior period adjustment to legal expenses of $227,762. Had these amounts been included, the ratios for the year ended December 31, 2012 would have been 1.18%.
(h) Based on weekly prices.
(i) Asset coverage per share is calculated by combining all series of preferred shares.
(j) Actual number of shares outstanding is 10.
(k) Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their shares in the auction.
(l) Asset coverage is calculated by combining all series of preferred shares.

Table of Contents

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement, the Fund will invest the net proceeds of any offering in accordance with the Fund s investment objectives and policies, and may use a portion of such proceeds, depending on market conditions, for other general corporate purposes, including the continuation of the Fund s managed distribution policy. The Investment Adviser expects that it will initially invest the proceeds of the offering in high quality short-term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within three months; however, the identification of appropriate investment opportunities pursuant to the Fund s investment style or changes in market conditions may cause the result in the Fund s anticipated investment period extending to as long as six months. The Investment Adviser may also use the net proceeds to redeem existing series of Preferred Stock.

THE FUND

The Fund is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Maryland corporation on March 31, 1994. The Fund commenced its investment operations on November 15, 1994. The Fund s principal office is located at One Corporate Center, Rye, New York 10580-1422.

INVESTMENT OBJECTIVES AND POLICIES

Investment Objectives

The Fund s primary investment objective is to achieve long-term growth of capital by investing primarily in the common stock and other securities of foreign and domestic companies involved in the telecommunications, media, publishing, and entertainment industries. Income is the secondary investment objective. The investment objectives of long-term growth of capital and income are fundamental policies of the Fund. The Fund s policy of concentration in companies in the communications industries is also a fundamental policy of the Fund. These fundamental policies and the investment limitations described in the SAI under the caption Investment Restrictions cannot be changed without the approval of the holders of a majority of the Fund s outstanding voting securities. Such majority votes require, in each case, the lesser of (i) 67% of the Fund s applicable shares represented at a meeting at which more than 50% of the Fund s applicable shares outstanding are represented, whether in person or by proxy, or (ii) more than 50% of the outstanding shares.

Under normal market conditions, the Fund will invest at least 80% of the value of its net assets, plus borrowings for investment purposes, in common stock and other securities, including convertible securities, preferred stock, options, and warrants of companies in the telecommunications, media, publishing, and entertainment industries (the 80% Policy). The Fund may invest in companies of any size market capitalization. The Fund may invest, without limitation, in foreign securities. The Fund may also invest in securities of companies located in emerging markets.

A company will be considered to be in these industries if it derives at least 50% of its revenues or earnings from, or devotes at least 50% of its assets to, the indicated activities or multimedia related activities. The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least sixty days prior to the implementation of any change in the 80% Policy.

The telecommunications companies in which the Fund may invest are engaged in the development, manufacture, or sale of communications services or equipment throughout the world, including the following

Table of Contents

products or services: regular telephone service; wireless communications services and equipment, including cellular telephone, microwave and satellite communications, paging, and other emerging wireless technologies; equipment and services for both data and voice transmission, including computer hardware and software; electronic components and communications equipment; video conferencing; electronic mail; local and wide area networking, and linkage of data and word processing systems; publishing and information systems; video text and teletext; emerging technologies combining television, telephone and computer systems; broadcasting, including television and radio, satellite and microwave transmission and cable television.

The entertainment, media and publishing companies in which the Fund may invest are engaged in providing the following products or services: the creation, packaging, distribution, and ownership of entertainment programming throughout the world, including pre-recorded music, feature-length motion pictures, made-for-TV movies, television series, documentaries, animation, game shows, sports programming, and news programs; live events such as professional sporting events or concerts, theatrical exhibitions, television and radio broadcasting, satellite and microwave transmission, cable television systems and programming, broadcast and cable networks, wireless cable television and other emerging distribution technologies; home video, interactive and multimedia programming, including home shopping and multiplayer games; publishing, including newspapers, magazines and books, advertising agencies and niche advertising mediums such as in-store or direct mail; emerging technologies combining television, telephone, and computer systems, computer hardware and software; and equipment used in the creation and distribution of entertainment programming such as that required in the provision of broadcast, cable, or telecommunications services.

Investing in securities of foreign issuers, which generally are denominated in foreign currencies, may involve certain risk and opportunity considerations not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluations of currencies. For a further discussion of the risks associated with investing in foreign securities and a description of other risks inherent in the Fund s investment objectives and policies, see Risk Factors and Special Considerations.

The Investment Adviser believes that at the present time investment by the Fund in the securities of companies located throughout the world presents great potential for accomplishing the Fund s investment objectives. While the Investment Adviser expects that a substantial portion of the Fund s portfolio may be invested in the securities of domestic companies, a significant portion of the Fund s portfolio may also be comprised of the securities of issuers headquartered outside the United States.

No assurance can be given that the Fund s investment objectives will be achieved.

Investment Methodology of the Fund

In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others:

- the Investment Adviser s own evaluations of the private market value (as defined below), cash flow, earnings per share, and other fundamental aspects of the underlying assets and business of the company;

- the potential for capital appreciation of the securities;

the interest or dividend income generated by the securities;

the prices of the securities relative to other comparable securities;

whether the securities are entitled to the benefits of call protection or other protective covenants;

the existence of any anti-dilution protections or guarantees of the security; and

the diversification of the portfolio of the Fund as to issuers.

Table of Contents

The Investment Adviser s investment philosophy with respect to equity securities is to identify assets that are selling in the public market at a discount to their private market value. The Investment Adviser defines private market value as the value informed purchasers are willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates an issuer s free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst, something indigenous to the company, its industry, or country that will surface additional value.

Certain Investment Practices

Foreign Securities. There is no limitation on the amount of foreign securities in which the Fund may invest. Among the foreign securities in which the Fund may invest are those issued by companies located in developing countries or emerging markets, which are countries in the initial stages of their industrialization cycles. Investing in the equity and debt markets of developing countries involves exposure to economic structures that are generally less diverse and less mature, and to political systems that may have less stability than those of developed countries. The markets of developing countries historically have been more volatile than the markets of the more mature economies of developed countries, but often have provided higher rates of return to investors.

The Fund may also invest in the debt securities of foreign governments. Although such investments are not a principal strategy of the Fund, there is limitation on its ability to invest in the debt securities of foreign governments.

Corporate Reorganizations. The Fund may invest without limit in securities of companies for which a tender or exchange offer has been made or announced and in securities of companies for which a merger, consolidation, liquidation, or similar reorganization proposal has been announced if, in the judgment of the Investment Adviser, there is a reasonable prospect of capital appreciation significantly greater than the added portfolio turnover expenses inherent in the short term nature of such transactions. The principal risk is that such offers or proposals may not be consummated within the time and under the terms contemplated at the time of the investment, in which case, unless such offers or proposals are replaced by equivalent or increased offers or proposals that are consummated, the Fund may sustain a loss.

Temporary Defensive Investments. Subject to the Fund s investment restrictions, when a temporary defensive period is believed by the Investment Adviser to be warranted (temporary defensive periods), the Fund may, without limitation, hold cash or invest its assets in securities of U.S. government sponsored instrumentalities, in repurchase agreements in respect of those instruments, and in certain high grade commercial paper instruments. During temporary defensive periods, the Fund may also invest up to 10% of the market value of its total assets in money market mutual funds that invest primarily in securities of U.S. government sponsored instrumentalities and repurchase agreements in respect of those instruments. Obligations of certain agencies and instrumentalities of the U.S. government, such as the Government National Mortgage Association, are supported by the full faith and credit of the U.S. government; others, such as those of the Export-Import Bank of the U.S., are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the Federal National Mortgage Association, are supported by the discretionary authority of the U.S. government to purchase the agency s obligations; and still others, such as those of the Student Loan Marketing Association, are supported only by the credit of the instrumentality. No assurance can be given that the U.S. government would provide financial support to U.S. government sponsored instrumentalities if it is not obligated to do so by law. During temporary defensive periods, the Fund may be less likely to achieve its secondary investment objective of income.

Further information on the investment objectives and policies of the Fund are set forth in the SAI.

Table of Contents

Special Investment Methods

Options. On behalf of the Fund, and subject to guidelines of the Board, the Investment Adviser may purchase or sell (*i.e.*, write) options on securities, securities indices and foreign currencies which are listed on a national securities exchange or in the U.S. over-the-counter (OTC) markets as a means of achieving additional return or of hedging the value of the Fund s portfolio. The Fund may write covered call options on common stocks that it owns or has an immediate right to acquire through conversion or exchange of other securities in an amount not to exceed 25% of total assets or invest up to 10% of its total assets in the purchase of put options on common stocks that the Fund owns or may acquire through the conversion or exchange of other securities that it owns.

A call option is a contract that gives the holder of the option the right to buy from the writer (seller) of the call option, in return for a premium paid, the security underlying the option at a specified exercise price at any time during the term of the option.

The writer of the call option has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price during the option period.

A put option is a contract that gives the holder of the option the right to sell to the writer (seller), in return for the premium, the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy the underlying security upon exercise, at the exercise price during the option period.

If the Fund has written an option, it may terminate its obligation by effecting a closing purchase transaction. This is accomplished by purchasing an option of the same series as the option previously written. There can be no assurance that a closing purchase transaction can be effected when the Fund so desires.

An exchange traded option may be closed out only on an exchange which provides a secondary market for an option of the same series. Although the Fund will generally purchase or write only those options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. See Investment Objectives and Policies Investment Practices in the SAI.

Limitations on the Purchase and Sale of Futures Contracts, Certain Options and Swaps. Subject to the guidelines of the Board, the Fund may engage in commodity interest transactions (generally, transactions in futures, certain options, certain currency transactions and certain types of swaps) only for bona fide hedging or other permissible transactions in accordance with the rules and regulations of the Commodity Futures Trading Commission (CFTC). Pursuant to amendments by the CFTC to Rule 4.5 under the Commodity Exchange Act (CEA), the Investment Adviser has filed a notice of exemption from registration as a commodity pool operator with respect to the Fund. The Fund and the Investment Adviser are therefore not subject to registration or regulation as a commodity pool operator under the CEA. Due to the amendments to Rule 4.5 under the CEA, certain trading restrictions are applicable to the Fund. These trading restrictions permit the Fund to engage in commodity interest transactions that include (i) bona fide hedging transactions, as that term is defined and interpreted by the CFTC and its staff, without regard to the percentage of the Fund s assets committed to margin and options premiums and (ii) non-bona fide hedging transactions, provided that the Fund does not enter into such non-bona fide hedging transactions if, immediately thereafter, either (a) the sum of the amount of initial margin deposits on the Fund s existing futures positions or swaps positions and option or swaption premiums would exceed 5% of the market value of the Fund s liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions, or (b) the aggregate net notional value of the Fund s commodity interest transactions would exceed 100% of the market value of the Fund s liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions. In addition to meeting one of the foregoing trading limitations, the Fund may not market itself as a commodity pool or otherwise as a vehicle for

Table of Contents

trading in the futures, options or swap markets. Therefore, in order to claim the Rule 4.5 exemption, the Fund is limited in its ability to invest in commodity futures, options and certain types of swaps (including securities futures, broad-based stock index futures and financial futures contracts). As a result, in the future, the Fund will be more limited in its ability to use these instruments than in the past and these limitations may have a negative impact on the ability of the Investment Adviser to manage the Fund, and on the Fund s performance.

Futures Contracts and Options on Futures. On behalf of the Fund, the Investment Adviser may, subject to the Fund s investment restrictions and guidelines of the Board, purchase and sell financial futures contracts and options thereon which are traded on a commodities exchange or board of trade for certain hedging, yield enhancement, and risk management purposes. These futures contracts and related options may be on debt securities, financial indices, securities indices, United States government securities, and foreign currencies. A financial futures contract is an agreement to purchase or sell an agreed amount of securities or currencies at a set price for delivery in the future.

Forward Currency Exchange Contracts. Subject to guidelines of the Board, the Fund may enter into forward foreign currency exchange contracts to protect the value of its portfolio against future changes in the level of currency exchange rates. The Fund may enter into such contracts on a spot (*i.e.*, cash) basis at the rate then prevailing in the currency exchange market or on a forward basis, by entering into a forward contract to purchase or sell currency. A forward contract on foreign currency is an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days agreed upon by the parties from the date of the contract at a price set on the date of the contract. The Fund s dealings in forward contracts generally will be limited to hedging involving either specific transactions or portfolio positions. The Fund does not have an independent limitation on its investments in foreign currency futures contracts and options on foreign currency futures contracts.

Short Sales. The Fund may from time to time make short sales of securities, including short sales against the box. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. A short sale against the box occurs when the Fund contemporaneously owns, or has the right to obtain at no added cost, securities identical to those sold short.

The market value for the securities sold short of any one issuer will not exceed 5% of the Fund s total assets or 5% of such issuer s voting securities. In addition, the Fund may not make short sales or maintain a short position if it would cause more than 25% of the Fund s total assets, taken at market value, to be held as collateral for such sales. The Fund may make short sales against the box without respect to such limitations.

The Fund may make short sales in order to hedge against market risks when it believes that the price of a security may decline, causing a decline in the value of a security owned by the Fund or a security convertible into, or exchangeable for, such security, or when the Fund does not want to sell the security it owns. Such short sale transactions may be subject to special tax rules, one of the effects of which may be to accelerate income to the Fund. Additionally, the Fund may use short sales in conjunction with the purchase of a convertible security when it is determined that the convertible security can be bought at a small conversion premium and has a yield advantage relative to the underlying common stock sold short.

When the Fund makes a short sale, it will often borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. In connection with such short sales, the Fund may pay a fee to borrow securities or maintain an arrangement with a broker to borrow securities, and is often obligated to pay over any accrued interest and dividends on such borrowed securities. In a short sale, the Fund does not immediately deliver the securities sold or receive the proceeds from the sale. The Fund may close out a short position by purchasing and delivering an equal amount of the securities sold short, rather than by delivering securities already held by the Fund, because the Fund may want to continue to receive interest and dividend payments on securities in its portfolio that are convertible into the securities sold short.

Table of Contents

If the price of the security sold short increases between the time of the short sale and the time that the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss, increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged.

To the extent that the Fund engages in short sales, it will provide collateral to the broker-dealer and (except in the case of short sales against the box) will maintain additional asset coverage in the form of segregated or earmarked assets on the records of the Investment Adviser or with the Fund s Custodian, consisting of cash, U.S. government securities, or other liquid securities that is equal to the current market value of the securities sold short, or (in the case of short sales against the box) will ensure that such positions are covered by offsetting positions, until the Fund replaces the borrowed security. The Fund will engage in short selling to the extent permitted by the federal securities laws and rules and interpretations thereunder, subject to the percentage limitations set forth above. To the extent the Fund engages in short selling in foreign (non-U.S.) jurisdictions, the Fund will do so to the extent permitted by the laws and regulations of such jurisdiction.

Repurchase Agreements. The Fund may enter into repurchase agreements with banks and non-bank dealers of U.S. government securities which are listed as reporting dealers of the Federal Reserve Bank and which furnish collateral at least equal in value or market price to the amount of their repurchase obligation.

In a repurchase agreement, the Fund purchases a debt security from a seller who undertakes to repurchase the security at a specified resale price on an agreed future date. Repurchase agreements are generally for one business day and generally will not have a duration of longer than one week. The SEC has taken the position that, in economic reality, a repurchase agreement is a loan by a fund to the other party to the transaction secured by securities transferred to the fund. The resale price generally exceeds the purchase price by an amount which reflects an agreed upon market interest rate for the term of the repurchase agreement. The Fund s risk is primarily that, if the seller defaults, the proceeds from the disposition of the underlying securities and other collateral for the seller s obligation may be less than the repurchase price. If the seller becomes insolvent, the Fund might be delayed in or prevented from selling the collateral. In the event of a default or bankruptcy by a seller, the Fund will promptly seek to liquidate the collateral. To the extent that the proceeds from any sale of the collateral upon a default in the obligation to repurchase are less than the repurchase price, the Fund will experience a loss. If the financial institution that is a party to the repurchase agreement petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund s ability to sell the collateral and the Fund could suffer a loss.

Loans of Portfolio Securities. To increase income, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions if: (i) the loan is collateralized in accordance with applicable regulatory requirements, and (ii) no loan will cause the value of all loaned securities to exceed 20% of the value of its total assets.

If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates and the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over the value of the collateral. As with any extension of credit, there are risks of delay in recovery and in some cases even loss of rights in collateral should the borrower of the securities fail financially. While these loans of portfolio securities will be made in accordance with guidelines approved by the Fund s Board, there can be no assurance that borrowers will not fail financially. On termination of the loan, the borrower is required to return the securities to the Fund, and any gain or loss in the market price during the loan would inure to the Fund. If the counterparty to the loan petitions for bankruptcy or becomes subject to the United States Bankruptcy Code, the law regarding the Fund s rights is unsettled. As a result, under these circumstances, there may be a restriction on the Fund s ability to sell the collateral and it would suffer a loss.

Table of Contents

Borrowing. The Fund may borrow money in accordance with its investment restrictions, including as a temporary measure for extraordinary or emergency purposes. It may not borrow for investment purposes.

Leveraging. As provided in the 1940 Act, and subject to compliance with the Fund s investment limitations, the Fund may issue senior securities representing stock, such as preferred stock, so long as immediately following such issuance of stock, its total assets exceed 200% of the amount of such stock. The use of leverage magnifies the impact of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. In addition, if the cost of leverage exceeds the return on the securities acquired with the proceeds of leverage, the use of leverage will diminish, rather than enhance, the return to the Fund. The use of leverage generally increases the volatility of returns to the Fund. The Fund currently has two series of preferred stock outstanding: the 6.00% Series B Cumulative Preferred Stock and the Series C Auction Rate Cumulative Preferred Stock.

Further information on the investment objectives and policies of the Fund is set forth in the SAI.

Investment Restrictions. The Fund has adopted certain investment restrictions as fundamental policies of the Fund. Under the 1940 Act, a fundamental policy may not be changed without the vote of a majority, as defined in the 1940 Act, of the outstanding voting securities of the Fund (voting together as a single class). The Fund s investment restrictions are more fully discussed under Investment Restrictions in the SAI.

Portfolio Turnover. The Fund will buy and sell securities to accomplish its investment objective. The investment policies of the Fund may lead to frequent changes in investments, particularly in periods of rapidly fluctuating interest or currency exchange rates. The portfolio turnover may be higher than that of other investment companies.

Portfolio turnover generally involves some expense to the Fund, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The portfolio turnover rate is computed by dividing the lesser of the amount of the securities purchased or securities sold by the average monthly value of securities owned during the year (excluding securities whose maturities at acquisition were one year or less). High portfolio turnover may also result in the realization of substantial net short-term capital gains and any distributions resulting from such gains will be taxable at ordinary income rates for U.S. federal income tax purposes. The Fund s portfolio turnover rates for the fiscal years ended December 31, 2016 and 2015, were 10.3% and 14.0%, respectively.

RISK FACTORS AND SPECIAL CONSIDERATIONS

There are a number of risks that an investor should consider in evaluating the Fund. You should read this entire Prospectus and SAI before you decide whether to invest in the Fund. In addition, you should consider the matters set forth below.

Leverage Risk

The Fund uses financial leverage for investment purposes by issuing preferred stock. The amount of leverage represents approximately 15% of the Fund s Managed Assets (defined as the aggregate net asset value of outstanding shares of common stock plus assets attributable to outstanding shares of preferred stock, with no deduction for the liquidation preference of such shares of preferred stock) as of December 31, 2016. The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage. Such volatility may increase the likelihood of the Fund s having to sell investments in order to meet dividend payments on the preferred stock, or to redeem preferred stock when it may be disadvantageous to do so. The Fund may not be permitted to declare dividends or distributions with respect to common stock or preferred stock, or purchase common stock or preferred stock unless at such time the Fund meets certain asset coverage requirements. In addition, the Fund may not be permitted to pay distributions on common stock unless all distributions on preferred stock and/or accrued interest on borrowings have been paid, or set aside for payment. Any preferred stock currently outstanding or that the Fund issues in the future would subject the Fund to certain asset coverage requirements under the 1940 Act that could, under certain circumstances, restrict the Fund from making distributions necessary to qualify as a registered investment company. If the Fund is unable to obtain cash from other sources, the Fund may fail to qualify as a registered investment company and, thus, may be subject to income tax as an ordinary corporation. Because the advisory fee paid to the Investment Adviser is calculated on the basis of the Fund s Managed Assets rather than only on the basis of net assets attributable to the shares of common stock, the fee may be higher when leverage is utilized, giving the Investment Adviser an incentive to utilize leverage. However, the Investment Adviser has agreed to reduce any management fee on the incremental assets attributable to the cumulative preferred stock during the fiscal year if the total return of the net asset value of the outstanding shares of common stock, including distributions and advisory fee subject to reduction for that year, does not exceed the stated dividend rate or corresponding swap rate of each particular series of preferred stock. This fee waiver will not apply to any preferred stock issued from this offering. The Investment Adviser currently intends that the voluntary advisory fee waiver will remain in effect for as long as the 6.00% Series B Cumulative Preferred Stock and Series C Auction Rate Preferred Stock are outstanding. The Investment Adviser, however, reserves the right to modify or terminate the voluntary advisory fee waiver at any time.

Preferred Stock Risk. The issuance of preferred stock causes the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock approaches the net rate of return on the Fund s investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock plus the management fee annual rate of 1.00% (as applicable) exceeds the net rate of return on the Fund s portfolio, the leverage will result in a lower rate of return to the holders of common stock than if the Fund had not issued preferred stock.

Any decline in the net asset value of the Fund s investments would be borne entirely by the holders of common stock. Therefore, if the market value of the Fund s portfolio declines, the leverage will result in a greater decrease in net asset value to the holders of common stock than if the Fund were not leveraged. This greater net asset value decrease will also tend to cause a greater decline in the market price for the common stock. The Fund might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing its ratings on the preferred stock or, in an extreme case, the Fund s current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, the Fund might need to liquidate investments in order to fund a redemption of some or all of the preferred stock.

In addition, the Fund would pay (and the holders of common stock will bear) all costs and expenses relating to the issuance and ongoing maintenance of the shares of the preferred stock, including the advisory fees on the incremental assets attributable to such shares.

Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over the Fund s affairs. Holders of preferred stock, voting separately as a single class, have the right to elect two members of the Board at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the Directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion of the fund to open-end status, and accordingly can veto any such changes.

Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of the Fund s common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair the Fund s ability to maintain its qualification as a regulated investment company for federal income tax purposes. While the Fund intends to redeem its preferred stock to the extent necessary to enable the Fund to distribute its income as required to maintain its qualification as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code), there can be no assurance that such actions can be effected in time to meet the Code requirements.

Table of Contents

Portfolio Guidelines of Rating Agencies for Preferred Stock. In order to obtain and maintain attractive credit quality ratings for shares of preferred stock, the Fund must comply with investment quality, diversification, and other guidelines established by the relevant ratings agencies. These guidelines could affect portfolio decisions and may be more stringent than those imposed 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 stock total return, assuming investment portfolio total returns (comprised of net investment income of the Fund, realized gains or losses of the Fund and changes in the value of the 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. The table further reflects leverage representing 25% of the Fund s net assets, the Fund s current projected blended annual average leverage dividend or interest rate of 5.382%, a management fee at an annual rate of 1.00% of the liquidation preference of any outstanding preferred stock and estimated annual incremental expenses attributable to any outstanding preferred stock of 0.05% of the Fund s net assets attributable to common stock.

Assumed return on portfolio (net of expenses)	(10)%	(5)%	0%	5%	10%
Corresponding return to Common Stockholder	(17.73)%	(10.38)%	(3.03)%	4.33%	11.68%

The following factors associated with leveraging could increase the investment risk and volatility of the price of the shares of common stock:

- leveraging exaggerates any increase or decrease in the net asset value of the shares of common stock;
- the dividend requirements on the Fund s shares of preferred stock may exceed the income from the portfolio securities purchased with the proceeds from the issuance of preferred stock;
- a decline in net asset value results if the investment performance of the additional securities purchased fails to cover their cost to the Fund (including any dividend requirements of preferred stock);
- a decline in net asset value could affect the ability of the Fund to make dividend payments on shares of common stock;
- a failure to pay dividends or make distributions on its shares of common stock could result in the Fund s ceasing to qualify as a regulated investment company under the Code; and
- if the asset coverage for the Fund s shares of preferred stock declines to less than 200% (as a result of market fluctuations or otherwise), the Fund may be required to sell a portion of its investments when it may be disadvantageous to do so.

Pursuant to Section 18 of the 1940 Act, it is unlawful for the Fund, as a registered closed-end investment company, to issue any class of senior security, or to sell any senior security that it issues, unless it can satisfy certain asset coverage ratios. The asset coverage ratio with respect to a senior security representing indebtedness means the ratio of the value of the Fund s total assets (less all liabilities and indebtedness not represented by senior securities) to the aggregate amount of the Fund s senior securities representing indebtedness. The asset coverage ratio with respect to a senior security representing stock means the ratio of the value of the Fund s total assets (less all liabilities and indebtedness not represented by senior securities) to the aggregate amount of the Fund s senior securities representing indebtedness plus the aggregate liquidation preference of the Fund s outstanding shares of preferred stock.

If, as is the case with the Fund, a registered investment company s senior securities are equity securities, such securities must have an asset coverage of at least 200% immediately following its issuance. If a registered investment company s senior securities represent indebtedness, such indebtedness must have an asset coverage of

Table of Contents

at least 300% immediately after their issuance. Subject to certain exceptions, during any period following issuance that the Fund fails to satisfy these asset coverage ratios, it will, among other things, be prohibited from declaring any dividend or declaring any other distribution in respect of its common stock except a dividend payable in shares of common stock issued by the Fund. A registered investment company may, to the extent permitted by the 1940 Act, segregate assets or cover transactions in order to avoid the creation of a class of senior security.

Special Risks to Holders of Fixed Rate Preferred Stock

Illiquidity Prior to Exchange Listing. Prior to the offering, there will be no public market for any additional series of fixed rate preferred stock. In the event any additional series of fixed rate preferred stock are issued, prior application will have been made to list such shares on a national securities exchange, which will likely be the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, such shares may not be listed on any securities exchange. During such period, the underwriters may make a market in such shares, though, they will have no obligation to do so. Consequently, an investment in such shares may be illiquid during such period.

Market Price Fluctuation. Shares of fixed rate preferred stock may trade at a premium to or discount from liquidation value for various reasons, including changes in interest rates.

Special Risks for Holders of Auction Rate Preferred Stock

Auction Risk. You may not be able to sell your auction rate preferred stock at an auction if the auction fails, i.e., if more shares of auction rate preferred stock are offered for sale than there are buyers for those shares. Also, if you place an order (a hold order) at an auction to retain auction rate preferred stock only at a specified rate that exceeds the rate set at the auction, you will not retain your auction rate preferred stock. Additionally, if you place a hold order without specifying a rate below which you would not wish to continue to hold your shares and the auction sets a below market rate, you will receive a lower rate of return on your shares than the market rate. Finally, the dividend period may be changed, subject to certain conditions and with notice to the holders of the auction rate preferred stock, which could also affect the liquidity of your investment. Since February 2008, most auction rate preferred stock, including our Series C Auction Rate Preferred, have had failed auctions and holders of such stock have suffered reduced liquidity.

Secondary Market Risk. If you try to sell your auction rate preferred stock between auctions, you may not be able to sell them for their liquidation preference per share or such amount per share plus accumulated dividends. If the Fund has designated a special dividend period of more than seven days, changes in interest rates could affect the price you would receive if you sold your shares in the secondary market. Broker-dealers that maintain a secondary trading market for the auction rate preferred stock are not required to maintain this market, and the Fund is not required to redeem auction rate preferred stock if either an auction or an attempted secondary market sale fails because of a lack of buyers. The auction rate preferred stock will not be registered on a stock exchange. If you sell your auction rate preferred stock to a broker-dealer between auctions, you may receive less than the price you paid for them, especially when market interest rates have risen since the last auction or during a special dividend period. Since February 2008, most auction rate preferred stock, including our Series C Auction Rate Preferred, have had failed auctions and holders of such stock have suffered reduced liquidity, including the inability to sell such stock in a secondary market.

Special Risks for Holders of Subscription Rights

There is a risk that changes in yield or changes in the credit quality of the Fund may result in the underlying preferred stock or common stock purchasable upon exercise of the subscription rights being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of the subscription rights. Investors who receive subscription rights may find that there is no market to sell rights they do not wish to exercise. Further, if investors exercise only a portion of the rights, the number of shares of the preferred stock issued may be reduced, and the preferred stock or common stock may trade at less favorable prices than larger offerings for similar securities.

Common Stock Distribution Policy Risk

The Fund has adopted a policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund s preferred stock. Distributions on the Fund s common stock may contain a return of capital. Any return of capital should not be considered by investors as yield or total return on their investment in the Fund. For the fiscal year ended December 31, 2016, the Fund distributed a return of capital. Distributions sourced from return of capital should not be considered as dividend yield or the total return from an investment in the Fund. **Stockholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Stockholders should not assume that the source of a distribution from the Fund is net profit.** The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year s distributions will be based on the Fund s investment activity through the end of the calendar year.

Industry Concentration Risk

The Fund invests a significant portion of its assets in companies in the telecommunications, media, publishing, and entertainment industries and, as a result, the value of the Fund s shares is more susceptible to factors affecting those particular types of companies and those industries, including governmental regulation, a greater price volatility than the overall market, rapid obsolescence of products and services, intense competition, and strong market reactions to technological developments.

Various types of ownership restrictions are imposed by the Federal Communications Commission, or FCC, on investment in media companies and cellular licensees. For example, the FCC s broadcast and cable multiple-ownership and cross ownership rules, which apply to the radio, television, and cable industries, provide that investment advisers are deemed to have an attributable interest whenever the adviser has the right to determine how five percent or more of the issued and outstanding voting stock of a broadcast company or cable system operator may be voted. These rules limit the number of broadcast stations both locally and nationally that a single entity is permitted to own, operate, or control and prohibit ownership of certain competitive communications providers in the same location. The FCC also applies limited ownership restrictions on cellular licensees serving rural areas. An attributable interest in a cellular company arises from the right to control 20% or more of its voting stock.

Attributable interests that may result from the role of the Investment Adviser and its principals in connection with other funds, managed accounts and companies may limit the Fund s ability to invest in certain mass media and cellular companies. In the event that the Investment Adviser and its affiliates may be deemed to have such an attributable interest, the Board of Directors of the Fund may delegate, from time to time, to the Fund s Proxy Voting Committee, voting power over certain shares of securities held by the Fund in view of these ownership limitations to ensure compliance with certain FCC regulations.

Smaller Companies

While the Fund intends to focus on the securities of established suppliers of accepted products and services, the Fund may also invest in smaller companies which may benefit from the development of new products and

Table of Contents

services. These smaller companies may present greater opportunities for capital appreciation, and may also involve greater investment risk than larger, more established companies. For example, smaller companies may have more limited product lines, market or financial resources, and their securities may trade less frequently and in lower volume than the securities of larger, more established companies. As a result, the prices of the securities of such smaller companies may fluctuate to a greater degree than the prices of securities of other issuers.

Long-Term Objective; Not a Complete Investment Program

The Fund is intended for investors seeking long-term capital growth. The Fund is not meant to provide a vehicle for those who wish to exploit short-term swings in the stock market. An investment in shares of the Fund should not be considered a complete investment program. Each stockholder should take into account the Fund s investment objectives as well as the stockholder s other investments when considering an investment in the Fund.

Non-Diversified Status

The Fund is classified as a non-diversified investment company under the 1940 Act, which means it is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company. To qualify as a regulated investment company, or RIC, for purposes of the Code, the Fund has in the past conducted and intends to conduct its operations in a manner that will relieve it of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify as a regulated investment company, among other requirements, the Fund will limit its investments so that, at the close of each quarter of the taxable year:

- not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer, any two or more issuers in which the fund owns 20% or more of the voting securities and which are determined to be engaged in the same, similar, or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (as defined in the Code); and

- at least 50% of the market value of the Fund s assets will be represented by cash, securities of other regulated investment companies, U.S. government securities and other securities, with such other securities limited in respect of any one issuer to an amount not greater than 5% of the value of the its assets and not more than 10% of the outstanding voting securities of such issuer.

Market Value and Net Asset Value

The Fund is a non-diversified, closed-end management investment company. Shares of closed-end funds are bought and sold in the securities markets and may trade at either a premium to or discount from net asset value. Listed shares of closed-end investment companies often trade at discounts from net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that its net asset value may decrease. The Fund cannot predict whether its listed stock will trade at, below, or above net asset value. As of December 31, 2016, the shares of common stock traded at a discount of 10.9%. Stockholders desiring liquidity may, subject to applicable securities laws, trade their Fund common stock on the NYSE or other markets on which such shares may trade at the then-current market value, which may differ from the then-current net asset value. Stockholders will incur brokerage or other transaction costs to sell stock.

Non-Investment Grade Securities

The Fund may invest up to 10% of its total assets in fixed income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt securities that are not rated or that are rated lower than BBB by Standard & Poor s, a division of The McGraw-Hill Companies, Inc. (S&P) or lower than Baa by Moody s are referred to in the financial press as junk bonds.

Generally, such non-investment grade securities and unrated securities of comparable quality offer a higher current yield than is offered by higher rated securities, but also: (i) will likely have some quality and protective characteristics that, in the judgment of the rating organizations, are outweighed by large uncertainties or major risk exposures to adverse conditions, and (ii) are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal in accordance with the terms of the obligation. The market values of certain of these securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, such securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such non-investment grade securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In light of these risks, the Investment Adviser, in evaluating the creditworthiness of an issue, whether rated or unrated, will take various factors into consideration, which may include, as applicable, the issuer s operating history, financial resources and its sensitivity to economic conditions and trends, the market support for the facility financed by the issue, the perceived ability and integrity of the issuer s management, and regulatory matters.

In addition, the market value of securities in non-investment rated categories is more volatile than that of higher quality securities, and the markets in which such non-investment rated or unrated securities are traded are more limited than those in which higher rated securities are traded. The existence of limited markets may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing its portfolio and calculating its net asset value. Moreover, the lack of a liquid trading market may restrict the availability of securities for the Fund to purchase and may also have the effect of limiting the ability of the Fund to sell securities at their fair value in response to changes in the economy or the financial markets.

Non-investment grade securities also present risks based on payment expectations. If an issuer calls the obligation for redemption (often a feature of fixed income securities), the Fund may have to replace the security with a lower yielding security, resulting in a decreased return for investors. Also, as the principal value of nonconvertible bonds and preferred stocks moves inversely with movements in interest rates, in the event of rising interest rates, the value of the securities held by the Fund may decline proportionately more than a portfolio consisting of higher rated securities. Investments in zero coupon bonds may be more speculative and subject to greater fluctuations in value due to changes in interest rates than bonds that pay regular income streams.

As part of its investment in non-investment grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection under a plan pursuant to which the securities received by the Fund in exchange for its defaulted securities will have a value in excess of the Fund s investment. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

In addition to using recognized rating agencies and other sources, the Investment Adviser also performs its own analysis of issues in seeking investments that it believes to be underrated (and thus higher yielding) in light of the financial condition of the issuer. Its analysis of issuers may include, among other things, current and anticipated cash flow and borrowing requirements, value of assets in relation to historical cost, strength of management, responsiveness to business conditions, credit standing, and current anticipated results of operations. In selecting investments for the Fund, the Investment Adviser may also consider general business conditions, anticipated changes in interest rates, and the outlook for specific industries.

36

Table of Contents

Subsequent to its purchase by the Fund, an issue of securities may cease to be rated or its rating may be reduced. In addition, it is possible that statistical rating agencies may change their ratings of a particular issue to reflect subsequent events. Moreover, such ratings do not assess the risk of a decline in market value. None of these events will require the sale of the securities by the Fund, although the Investment Adviser will consider these events in determining whether the Fund should continue to hold the securities.

The market for non-investment grade and comparable unrated securities has experienced several periods of significantly adverse price and liquidity, particularly at or around times of economic recessions. Past market recessions have adversely affected the value of such securities as well as the ability of certain issuers of such securities to repay principal and pay interest thereon or to refinance such securities. The market for those securities may react in a similar fashion in the future.

Foreign Securities

Investments in the securities of foreign issuers involve certain considerations and risks not ordinarily associated with investments in securities of domestic issuers. Foreign companies are not generally subject to uniform accounting, auditing, and financial standards and requirements comparable to those applicable to U.S. companies. Foreign securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad. In addition, it may be difficult to effect repatriation of capital invested in certain countries. In addition, with respect to certain countries, there are risks of expropriation, confiscatory taxation, political or social instability, or diplomatic developments that could affect assets of the Fund held in foreign countries.

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of foreign securities may also be adversely affected by fluctuations in the rates of exchange between the currencies of different nations and by exchange control regulations. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing loss. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities. The Fund does not have an independent limit on the amount of its assets that it may invest in the securities of foreign issuers.

The Fund also may purchase sponsored American Depository Receipts (ADRs) or U.S. denominated securities of foreign issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs.

Emerging Markets Risk

The Fund may invest in securities of issuers whose primary operations or principal trading market is in an emerging market. An emerging market country is any country that is considered to be an emerging or developing country by the World Bank. Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested.

Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading value compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Other risks include high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries; over-dependence on exports; overburdened infrastructure and obsolete or unseasoned financial systems; environmental problems; less developed legal systems; and less reliable securities custodial services and settlement practices.

Special Risks of Derivative Transactions

Participation in the options or futures markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser s prediction of movements in the direction of the securities, foreign currency, and interest rate markets are inaccurate, the consequences to the Fund may leave the Fund in a worse position than if such strategies were not used. Risks inherent in the use of options, foreign currency, futures contracts, and options on futures contracts, securities indices, and foreign currencies include:

- dependence on the Investment Adviser s ability to predict correctly movements in the direction of interest rates, securities prices, and currency markets;
- imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of the securities or currencies being hedged;
- the fact that skills needed to use these strategies are different from those needed to select portfolio securities;
- the possible absence of a liquid secondary market for any particular instrument at any time;
- the possible need to defer closing out certain hedged positions to avoid adverse tax consequences; and
- the possible inability of the Fund to purchase or sell a security at a time that otherwise would be favorable for it to do so, or the possible need for the Fund to sell a security at a disadvantageous time due to a need for the Fund to maintain cover or to segregate securities in connection with the hedging techniques.

Futures Transactions

Futures and options on futures entail certain risks, including but not limited to the following:

- no assurance that futures contracts or options on futures can be offset at favorable prices;

- possible reduction of the yield of the Fund due to the use of hedging;
- possible reduction in value of both the securities hedged and the hedging instrument;
- possible lack of liquidity due to daily limits or price fluctuations;
- imperfect correlation between the contracts and the securities being hedged; and
- losses from investing in futures transactions that are potentially unlimited and the segregation requirements for such transactions.

For a further description, see Investment Objectives and Policies Investment Practices in the SAI.

Forward Currency Exchange Contracts

The use of forward currency exchange contracts may involve certain risks, including the failure of the counterparty to perform its obligations under the contract and that the use of forward contracts may not serve as a complete hedge because of an imperfect correlation between movements in the prices of the contracts and the prices of the currencies hedged or used for cover. For a further description of such investments, see Investment Objectives and Policies Investment Practices in the SAI.

Dependence on Key Personnel

The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement, or inability to act on behalf of the Investment Adviser.

Market Disruption Risk

Certain events have a disruptive effect on the securities markets, such as terrorist attacks, war and other geopolitical events. The Fund cannot predict the effects of similar events in the future on the U.S. economy. Non-investment rated securities and securities of issuers with smaller market capitalizations tend to be more volatile than higher rated securities and securities of issuers with larger market capitalizations so that these events and any actions resulting from them may have a greater impact on the prices and volatility of non-investment rated securities and securities of issuers with smaller market capitalizations than on higher rated securities and securities of issuers with larger market capitalizations.

Special Risks Related to Preferred Securities

There are special risks associated with the Fund s investing in preferred securities, including:

Deferral. Preferred securities may include provisions that permit the issuer, at its discretion, to defer dividends or distributions for a stated period without any adverse consequences to the issuer. If the Fund owns a preferred security that is deferring its dividends or distributions, the Fund may be required to report income for tax purposes although it has not yet received such income.

Non-Cumulative Dividends. Some preferred securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the portfolio may include investments in non-cumulative preferred securities, whereby the issuer does not have an obligation to make up any arrearages to its stockholders. Should an issuer of a non-cumulative preferred security held by the Fund determine not to pay dividends or distributions on such security, the Fund s return from that security may be adversely affected. There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Fund invests will be declared or otherwise made payable.

Subordination. Preferred securities are subordinated to bonds and other debt instruments in an issuer s capital structure in terms of priority to corporate income and liquidation payments, and therefore will be subject to greater credit risk than more senior debt security instruments.

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

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

Special Redemption Rights. In certain varying circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. For instance, for certain types of preferred securities, a redemption may be triggered by a change in federal income tax or securities laws. A redemption by the issuer may negatively impact the return of the security held by the Fund.

Table of Contents

Interest Rate Transactions

The Fund may enter into interest rate swap or cap transactions with respect to all or a portion of any series of auction rate preferred stock in order to manage the impact on its portfolio of changes in the dividend rate of such stock. Through these transactions the Fund seeks to obtain the equivalent of a fixed rate for such auction rate preferred stock that is lower than the Fund would have to pay if it issued fixed rate preferred stock. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See How the Fund Manages Risk Interest Rate Transactions.

Investment Companies

The Fund may invest in the securities of other investment companies to the extent permitted by law. To the extent the Fund invests in the common equity of investment companies, the Fund will bear its ratable share of any such investment company s expenses, including management fees. The Fund will also remain obligated to pay management fees to the Investment Adviser with respect to the assets invested in the securities of other investment companies. In these circumstances holders of the Fund s common stock will be subject to duplicative investment expenses.

Counterparty Risk

The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts purchased by the Fund. 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 bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

Management Risk

The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser 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.

Anti-Takeover Provisions of the Fund s Governing Documents

The Fund s Governing Documents 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. See Certain Provisions of the Fund s Governing Documents and Maryland Law.

Status as a Regulated Investment Company

The Fund has qualified, and intends to remain qualified, for federal income tax purposes as a regulated investment company under Subchapter M of the Code. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability to meet such distribution requirements. The Fund presently intends, however, to purchase or redeem preferred stock to the extent necessary in order to maintain compliance with such asset coverage requirements. See Taxation for a more complete discussion of these and other federal income tax considerations.

Government Intervention in Financial Markets Risk

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

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

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

On December 10, 2013, U.S. financial regulators adopted final regulations (the Final Regulations) to implement the statutory mandate of the Volcker Rule, with such Financial Regulations having become fully effective on July 21, 2015, absent an extension to the conformance period by the Federal Reserve or an exemption for certain permitted activities. The Federal Reserve has granted a series of extensions that give banking entities until July 21, 2017 to conform their activities in respect of investments in and relationships with certain funds that were in place prior to the adoption of the Volcker Rule. The Investment Adviser may attempt to take certain actions to lessen the impact of the Volcker Rule, although no assurance can be given that such actions would be successful and no assurance can be given that such actions would not have a significant negative impact on the Fund.

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

In connection with an ongoing review by the SEC and its staff of the regulation of investment companies use of derivatives, on December 11, 2015, the SEC issued a rule proposal with respect to the use of derivatives by registered investment companies and business development companies. While the nature of any such regulations is uncertain at this time, it is possible that such regulations could limit the implementation of the Fund s use of derivatives, which could have an adverse impact on the Fund. The Investment Adviser cannot predict the effects of these regulations on the Fund s portfolio. The Investment Adviser intends to monitor developments and seeks to manage the Fund s portfolio in a manner consistent with achieving the Fund s investment objectives, but there can be no assurance that they will be successful in doing so.

Certain lawmakers support an increase in federal revenue as a component of a plan to address the growing federal budget deficit. Also, comprehensive federal tax reform is the subject of political attention. On February 9, 2012, the CFTC adopted certain amendments to the regulations governing commodity pools, commodity pool operators, and commodity trading advisors (the CPO-CTA Rulemaking). As part of the CPO-CTA Rulemaking, the CFTC amended Rule 4.5 under the Commodity Exchange Act (the CEA) to impose additional restrictions on the use of futures, options and swaps by registered investment companies, such as the Fund. These amendments limit the ability of the Fund to use futures, options and swaps without the Fund, its advisors and operators being subject to full CFTC regulation, which would impose substantial additional regulatory and compliance burdens on the Investment Adviser (who would have to register as commodity pool operators and/or commodity trading advisers) and the Fund.

The CPO-CTA Rulemaking also imposed additional reporting and disclosure obligations on commodity pool operators and this may too adversely affect the Fund s ability to manage its portfolio and impair the Fund s ability to achieve its investment objectives. The CPO-CTA Rulemaking may substantially increase regulatory compliance costs for the Fund and the Investment Adviser and could have effects on the management of the Fund s portfolio that are currently unforeseeable, that could reduce returns to investors and that could impair the Fund s ability to achieve its investment objectives.

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

Additionally, the recent change in presidential administration could significantly impact the regulation of United States financial markets. Areas subject to potential change, amendment or repeal include the Dodd-Frank Act, including the Volcker Rule and various swaps and derivatives regulations, the authority of the Federal Reserve and

FSOC, and renewed proposals to separate banks commercial and investment banking activities. Other potential changes that could be pursued by the new presidential administration could include the United

Table of Contents

States withdrawal from, or attempt to renegotiate, various trade agreements or the taking of other actions that would change current trade policies of the United States. It is not possible to predict which, if any, of these actions will be taken or, if taken, their effect on the economy, securities markets or the financial stability of the United States. The Fund may be affected by governmental action in ways that are not foreseeable, and there is a possibility that such actions could have a significant adverse effect on the Fund and its ability to achieve its investment objective.

Special Risks Related to Cyber Security

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 stockholders, potentially resulting in, among other things, financial losses; the inability of Fund stockholders 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.

HOW THE FUND MANAGES RISK

Investment Restrictions

The Fund has adopted certain investment limitations designed to limit investment risk and maintain portfolio diversification. These limitations are fundamental and may not be changed without the approval of the holders of a majority, as defined in the 1940 Act, of the outstanding shares of common stock and preferred stock voting together as a single class. The Fund may become subject to guidelines that are more limiting than the investment restrictions set forth above in order to obtain and maintain ratings from Moody s or Fitch Ratings (Fitch) on its preferred stock. See Investment Restrictions in the SAI for a complete list of the fundamental and non-fundamental investment policies of the Fund.

Interest Rate Transactions

The Fund may enter into interest rate swap or cap transactions in relation to all or a portion of any series of auction rate preferred stock in order to manage the impact on its portfolio of changes in the dividend rate of such stock. Through these transactions, the Fund may, for example, obtain the equivalent of a fixed rate for such auction rate preferred stock that is lower than the Fund would have to pay if it issued fixed rate preferred stock.

The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund s variable rate payment obligation on its auction rate preferred stock. In an interest rate cap, the Fund would pay a premium to the counterparty to the interest rate cap and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends or distributions when due in accordance with the Articles Supplementary of the relevant series of the auction rate preferred stock even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Fund s portfolio securities at that point in time, such a default could negatively affect the Fund s ability to make dividend or distribution payments on the auction rate preferred stock. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund s ability to make dividend or distribution payments on the auction rate preferred stock. To the extent there is a decline in interest rates, the value of the interest rate swap or cap could decline, resulting in a decline in the asset coverage for the shares of auction rate preferred stock. A sudden and dramatic decline in interest rates may result in a significant decline in the asset coverage. Under the Articles Supplementary for each series of the preferred stock, if the Fund fails to maintain the required asset coverage on the outstanding preferred stock or fails to comply with other covenants, the Fund may be required to redeem some or all of these shares. The Fund generally may redeem any series of auction rate preferred stock, in whole or in part, at its option at any time (usually on a dividend or distribution payment date), other than during a non-call period. Such redemption would likely result in the Fund seeking to terminate early all or a portion of any swap or cap transactions. Early termination of a swap could result in a termination payment by the Fund to the counterparty, while early termination of a cap could result in a termination payment to the Fund.

The Fund will usually enter into swaps or caps on a net basis; that is, the two payment streams will be netted out in a cash settlement on the payment date or dates specified in the instrument, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. The Fund intends to segregate cash or liquid securities having a value at least equal to the value of the Fund s net payment obligations under any swap transaction, marked to market daily. The Fund will monitor any such swap with a view to ensuring that the Fund remains in compliance with all applicable regulatory investment policy and tax requirements.

MANAGEMENT OF THE FUND

General

The business and affairs of the Fund are managed under the direction of the Fund s Board (who, with its officers, are described in the SAI). The Board decides upon matters of general policy and reviews the actions of the Investment Adviser and the Sub-Administrator (as defined below). Pursuant to an Investment Advisory Agreement with the Fund, the Investment Adviser, under the supervision of the Fund s Board, provides a continuous investment program for the Fund s portfolio; provides investment research and makes and executes recommendations for the purchase and sale of securities; and provides all facilities and personnel, including officers required for its administrative management and pays the compensation of all officers and Directors of the Fund who are its affiliates.

The Investment Adviser

The Investment Adviser, a New York limited liability company and registered investment adviser under the Investment Advisers Act of 1940, as amended, serves as an investment adviser to registered investment companies with combined aggregate net assets approximating $23.2 billion as of March 31, 2017. The Investment Adviser is a wholly owned subsidiary of GAMCO Investors, Inc. (GBL), a New York corporation, whose Class A Common Stock is traded on the NYSE under the symbol, GBL. Mr. Mario J. Gabelli may be deemed a controlling person of the Investment Adviser on the basis of his controlling interest in GBL. Mr. Gabelli owns a majority of the stock of GGCP, Inc. (GGCP), which holds a majority of the capital stock and voting power of GBL. The Investment Adviser has several affiliates that provide investment advisory services: GAMCO Asset Management, Inc., a wholly owned subsidiary of GBL, acts as investment adviser for

Table of Contents

individuals, pension trusts, profit sharing trusts, endowments, and The GAMCO Mathers Fund, and as a sub-adviser to certain third party investment funds, which include registered investment companies, having assets under