Ares Dynamic Credit Allocation Fund, Inc.
Form 497
June 16, 2015

ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.
2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067
For questions about the Joint Proxy Statement/Prospectus, please call (866) 796-7186

June 15, 2015

Dear Stockholder:

You are cordially invited to attend a joint special stockholder meeting (the "Special Meeting") of Ares Multi-Strategy Credit Fund, Inc. ("ARMF") and Ares Dynamic Credit Allocation Fund, Inc. ("ARDC" and together with ARMF, the "Funds," and each, a "Fund"), each a Maryland corporation, to be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on July 14, 2015 at 12:00 p.m. (Pacific time). Before the Special Meeting, I would like to provide you with additional background information and ask for your vote on important proposals affecting the Funds which are described in the enclosed Joint Proxy Statement/Prospectus.

Stockholders of ARMF will be asked to consider the following proposal, which is described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

1. The reorganization of ARMF into ARDC (the "Reorganization"), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940 and the dissolution of ARMF under Maryland law.

The Board of Directors of ARMF recommends that you vote "**FOR**" the proposal.

Stockholders of ARDC will be asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

2(A). The issuance of additional shares of ARDC common stock in connection with the Reorganization;

2(B). The amendment of ARDC's fundamental investment restriction with respect to making loans;

2(C). The amendment of ARDC's fundamental investment restriction with respect to concentration; and

2(D). An amendment of ARDC's 80% investment policy.

The Board of Directors of ARDC recommends that you vote "**FOR**" each proposal.

Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the Special Meeting in person, please read the Joint Proxy Statement/Prospectus and cast your vote promptly. To vote, simply date, sign and return the proxy card in the enclosed postage-paid envelope or follow the instructions on the proxy card for authorizing proxies by touch-tone telephone or on the Internet. Your prompt response is needed to avoid follow-up mailings which would increase the costs paid by all stockholders.

If you do not authorize a proxy using one of these methods described above, you may be contacted by D.F. King & Co., Inc., our proxy solicitor, to authorize your proxy over the telephone.

As always, we appreciate your support.

Sincerely,

SETH J. BRUFSKY

Director, President and
Chief Executive Officer of the Funds

Please vote now. Your vote is important.

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

June 15, 2015

IMPORTANT NOTICE
TO STOCKHOLDERS OF
ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.

QUESTIONS & ANSWERS

Although we urge you to read the entire Joint Proxy Statement/Prospectus, we have provided for your convenience a brief overview of some of the important questions concerning the issues to be voted on at the joint special meeting of stockholders (the "Special Meeting") of Ares Multi-Strategy Credit Fund, Inc. ("ARMF") and Ares Dynamic Credit Allocation Fund, Inc. ("ARDC" and together with ARMF, the "Funds" and each, a "Fund").

Q: Why is a stockholder meeting being held?

A: *Stockholders of ARMF:* You are being asked to vote on the following proposal ("Proposal 1"): the reorganization (the "Reorganization") of ARMF (such Fund being referred to herein at times as the "Target Fund") into ARDC (such Fund being referred to herein at times as the "Acquiring Fund"), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act") and the dissolution of ARMF under Maryland law, which is described in the enclosed Joint Proxy Statement/Prospectus. The term "Combined Fund" will refer to ARDC as the surviving Fund after the Reorganization, and assumes that the investment policy and restriction changes in Proposals 2(B), 2(C) and 2(D) (described below) have been approved by ARDC stockholders. In the event the Reorganization is consummated, ARMF will terminate its registration under the Investment Company Act and then dissolve under Maryland law.

ARMF and ARDC have, and the Combined Fund will have, similar (but not identical) investment objectives, investment policies and investment restrictions. ARMF and ARDC have, and the Combined Fund will have, the same investment adviser, Ares Capital Management II LLC (the "Adviser").

The consummation of the Reorganization is conditioned on the approval by ARDC stockholders of Proposals 2(A), 2(B), 2(C) and 2(D) (described below). The Reorganization will be consummated only if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve Proposals 2(A), 2(B), 2(C) and 2(D). If the Reorganization is not consummated, then ARMF would continue to exist and operate on a stand-alone basis, though the Adviser may, in connection with ongoing management of ARMF, recommend alternative proposals to the Board of Directors of ARMF.

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

Stockholders of ARDC: You are being asked to consider the following proposals, which are described in the enclosed Joint Proxy Statement/Prospectus, at the Special Meeting:

2(A). The issuance of additional shares of ARDC common stock in connection with the Reorganization of ARMF into ARDC if the Reorganization is approved by the stockholders of ARMF;

2(B). The amendment of ARDC's fundamental investment restriction with respect to making loans, providing ARDC with greater flexibility to invest in securities issued by entities commonly referred to as collateralized loan obligations or CLOs ("CLO Securities") that are not investment grade, including CLO debt securities and CLO equity securities;

2(C). The amendment of ARDC's fundamental investment restriction with respect to concentration, providing ARDC with greater flexibility in selecting its investments, particularly CLO Securities that are rated below investment grade and CLO equity securities; and

2(D). The amendment of ARDC's 80% investment policy such that, under normal market conditions, at least 80% of ARDC's Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will be invested in debt instruments, including (i) senior secured loans made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (collectively, the "ARDC Proposals").

The Reorganization will be consummated only if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve the ARDC Proposals. In other words, the Reorganization will not be consummated if any of Proposals 2(A), 2(B), 2(C) or 2(D) are not approved. If the Reorganization is not consummated, then ARDC would continue to exist and operate on a stand-alone basis. Proposals 2(B), 2(C) and 2(D) are not contingent on the consummation of the Reorganization and, regardless of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and 80% investment policy would become effective immediately upon approval by ARDC's stockholders.

In the event the Reorganization is consummated, stockholders of the Combined Fund, including current stockholders of ARDC, would be subject to the investment policies of the Combined Fund following the Reorganization. See "Comparison of the Funds" in the Joint Proxy Statement/Prospectus for a comparison of the Funds' investment objectives and significant investment strategies and operating policies.

Q: Why is the Reorganization being recommended?

A: The Board of Directors of each Fund (each, a "Board" and together, the "Boards"), has determined that the Reorganization is in the best interests of the applicable Fund and that the interests of the existing stockholders of the of the Target Fund and the Acquiring Fund will not be diluted with respect to NAV as a result of the Reorganization. Each Board anticipates that the Reorganization will benefit the stockholders of the Target Fund and the Acquiring Fund by providing the potential for, among other things:

i. a lower total annual expense ratio for ARMF and a commensurate, but slightly lower, total annual expense ratio for ARDC, in each case as compared to the expense ratio of the Fund prior to the Reorganization (see "How will the Reorganization affect the fees and expenses of the Funds?" for additional information);

ii. comparable (*i.e.*, slightly lower or higher) earnings, which is expected to allow each Fund's stockholders to maintain a distribution yield on net asset value ("NAV") comparable to the distribution yield on NAV for each of the Funds prior to the Reorganization;

a. As of May 31, 2015, the distribution yield on NAV of ARDC was 7.64% and the distribution yield on NAV of ARMF was 8.09%. There can be no assurance that ARDC or ARMF will be able to maintain their current distribution yields on NAV or that the Combined Fund's distribution yield on NAV will equal or exceed the Funds' current distribution yields on NAV.

iii. greater investment flexibility and investment options for the Combined Fund, including the potential for greater diversification of portfolio investments and the potential for additional sources of leverage, greater flexibility managing leverage and more competitive leverage terms;

iv. greater secondary market liquidity for the Combined Fund's shares of common stock ("common shares"), which may result in tighter bid-ask spreads and better trade execution for stockholders when purchasing or selling the Combined Fund's common shares;

v. benefits from having additional research coverage and an increased focus by investors on the Combined Fund;

vi. a possible narrowing of the trading discount to NAV of the Combined Fund to the extent the discount is affected by the other potential benefits of the Reorganization (e.g., additional analyst coverage, greater secondary market liquidity, potential operating efficiencies); and

vii. operating and administrative efficiencies, as the Combined Fund could have the ability to trade in larger positions and negotiate more favorable transaction terms, and certain fixed costs (e.g., printing and mailing of stockholder reports and proxy statements, legal expenses, audit fees and other expenses) would be spread across the larger asset base of the Combined Fund.

Each Board also considered whether the Adviser and its affiliates might benefit from the Reorganization.

If the Reorganization of the Target Fund is not approved, the Adviser may, in connection with ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

Q: How will the Reorganization affect the fees and expenses of the Funds?

A: The total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund) reflecting expense savings resulting from the consolidation of certain Fund operations, are as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
2.77%	2.58%	2.53%

If the Reorganization had taken place as of the end of each Fund's last fiscal year, the Funds estimate that the completion of the Reorganization would have resulted in a total annual expense ratio for the Combined Fund of 2.53%, representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.24% and 0.05%, respectively. When we use the term "total annual expense ratio" above, we mean a Fund's total annual expenses expressed as a percentage of its average net assets attributable to its common shares.

Following October 31, 2014, each Fund became subject to certain additional or increased expenses. The following charts, using the assumptions indicated, show the total annual expense ratios of the Funds as adjusted to more closely reflect current operating expenses and additional expenses anticipated to be incurred by the Funds.

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014.

Under each Fund's advisory agreement, the Adviser may seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates. The Adviser, however, contractually agreed not to seek reimbursement from the Funds for these administrative costs during the fiscal year ended October 31, 2014. As a result, Adviser reimbursement expenses do not appear in the total annual expense ratio shown above for either Fund (or in the *pro forma* expense ratio for the Combined Fund) for the period ended October 31, 2014. Commencing November 1, 2014, ARDC began reimbursing the Adviser for these administrative costs. Additionally, the Adviser will be permitted to seek administrative cost reimbursements from ARMF beginning November 1, 2015.

If the Adviser were permitted to seek reimbursement from the Funds for the costs of these administrative services during the fiscal year ended October 31, 2014, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	**ARDC**	**Pro Forma Combined Fund (ARDC as Surviving Fund)**
3.40%	2.82%	2.75%

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014, As Further Adjusted to Account for Leverage, Interest Expense and Other Operating Expenses.

For the fiscal year ending October 31, 2014, both ARDC and ARMF were not required to reimburse the Adviser for the costs of certain services during the reporting period. In addition, ARMF commenced operations in October 2013 and, as a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014.

The following table shows the *pro forma* total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund), in each case assuming (1) for ARDC (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period and (ii) the interest expense on its credit facility was applied at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.15% rate on borrowings to which ARDC was subject prior to amending the credit facility on October 2, 2014); and (2) for ARMF (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period; (ii) the Fund was leveraged 29% and incurred interest expense on its credit facility at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.10% rate on borrowings to which ARMF was subject prior to amending the credit facility on October 2, 2014); and (iii) the Fund was subject to investor relation fees of 0.10% (as compared to 0.12% for the Fund's first year of operations). Based on these assumptions and adjustments, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	**ARDC**	**Pro Forma Combined Fund (ARDC as Surviving Fund)**
3.39%	2.71%	2.68%

There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized. The Adviser has contractually agreed not to seek administrative cost reimbursements from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative services incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of the Combined Fund. The Adviser is not required to seek reimbursement of its costs for providing administrative services and may choose not to do so.

Q: How will the Reorganization affect the Advisory Fees of the Funds?

A: The contractual management fee rate of the Combined Fund will be 1.00%, which is equal to the current contractual management fee rates of each of ARMF and ARDC. Each Fund calculates its management fee on the basis of the Fund's Managed Assets (as defined in each Fund's advisory agreement). If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services is higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. For the fiscal year ended October 31, 2014, the effective management fee rates were 1.36% and 1.41% for ARMF and ARDC, respectively. Based on the October 31, 2014 fiscal year end financial statements for each Fund, the *pro forma* effective management fee rate for the Combined Fund would be expected to be 1.39% of the Combined Fund's average daily net assets.

ARMF, however, commenced operations in October 2013. As a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014. If each of ARMF and ARDC is assumed to have leveraged its portfolio by approximately 29%, the effective management fee rate for each of ARMF, ARDC and the Combined Fund is expected to be 1.41% of each Fund's average daily net assets.

Q: What happens if stockholders of the Target Fund do not approve the Reorganization and/or the stockholders of the Acquiring Fund do not approve the ARDC Proposals?

A: If these proposals are not approved the Funds will continue to operate as separate funds on a stand-alone basis. The Adviser may, in connection with ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

Q: How will the Reorganization be effected?

A: Assuming Target Fund stockholders approve the Reorganization and Acquiring Fund stockholders approve the ARDC Proposals, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization and other necessary filings. The Target Fund will then dissolve under Maryland law.

Stockholders of the Target Fund: You will become stockholders of the Acquiring Fund. You will receive newly issued common shares of the Acquiring Fund, par value $0.001 per share, the aggregate NAV (not the market value) of which will equal the aggregate NAV (not the market value) of the common shares of the Target Fund you held immediately prior to the Reorganization, less the applicable costs of the Reorganization (though you may receive cash for fractional shares).

Stockholders of the Acquiring Fund: You will remain stockholders of ARDC, which will have additional common shares outstanding after the Reorganization. Following the Reorganization, ARDC will operate under the investment objective, policies, strategies and restrictions of the Combined Fund set out in the Joint Proxy Statement/Prospectus.

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

A: The common shares of each Fund generally have historically traded at a discount and, as of June 10, 2015, each Fund traded at a discount to its respective NAV.

To the extent the Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganization, Target Fund stockholders would have the potential for an economic benefit by the narrowing of the discount/premium. To the extent the Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganization, Target Fund stockholders may be negatively impacted if the Reorganization is consummated. The Acquiring Fund stockholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves. There can be no assurance that, after the Reorganization, common shares of the Combined Fund will trade at, above or below NAV. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganization.

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

A: You will pay no sales loads or commissions in connection with the Reorganization. Regardless of whether the Reorganization is completed, however, the costs associated with the proposed Reorganization, including the costs associated with the stockholder meeting and the solicitation of proxies, will be borne directly by each of the respective Funds incurring the expense or will otherwise be allocated among the Funds proportionately or on another reasonable basis. Because of the expected expense savings for ARMF, the lower but comparable expected expense ratio for ARDC following the Reorganization, the potential benefits to ARDC from the changes to its investment policies and restrictions, as well as other benefits for each Fund, the Adviser recommended and the Boards have approved that each Fund be responsible for its own Reorganization expenses. See "Reasons for the Reorganization" in the attached Joint Proxy Statement/Prospectus. The expenses of the Reorganization are estimated to be $407,500 for ARMF and $407,500 for ARDC. The Adviser will not be responsible for any Reorganization expenses, including expenses related to Proposals 1, 2(A), 2(B), 2(C) and 2(D).

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

A stockholder's broker, dealer or other financial intermediary (each, a "Financial Intermediary") may impose its own stockholder account fees for processing corporate actions which could be applicable in connection with the Reorganization. These stockholder account fees, if applicable, are not paid or otherwise remitted to the Funds or the Adviser. The imposition of such fees are based solely on the terms of a stockholder's account agreement with his, her or its Financial Intermediary and/or is in the discretion of the

Financial Intermediary. Questions concerning any such stockholder account fees or other similar fees should be directed to a stockholder's Financial Intermediary.

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

A: The Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). If the Reorganization so qualifies, Target Fund stockholders will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund common shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Acquiring Fund stockholders will also not recognize gain or loss for U.S. federal income tax purposes by reason of the consummation of the Reorganization.

On or prior to the closing date of the Reorganization (the "Closing Date"), the Target Fund will declare a distribution to its stockholders that, together with all previous distributions, will have the effect of distributing to the Target Fund's stockholders all of its investment company taxable income (computed without regard to the deduction for dividends paid), if any, through the Closing Date, all of its net capital gains, if any, through the Closing Date, and all of its net tax-exempt interest income, if any, through the Closing Date. Although no gain or loss will be recognized upon the exchange of Target Fund common shares for Acquiring Fund common shares (except with respect to cash received in lieu of fractional shares), the distribution described in the prior sentence will be taxable to the Target Fund's stockholders for U.S. federal income tax purposes.

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

Q: Why is the vote of stockholders of the Acquiring Fund being solicited in connection with the Reorganization?

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

In addition, ARDC is seeking to make certain changes to its investment policies and restrictions separate from the Reorganization. In this regard, the Investment Company Act requires the Acquiring Fund stockholders to approve the amendments to ARDC's fundamental investment restrictions and 80% investment policy. If approved, these changes will become effective regardless of whether the Reorganization is approved by the Acquiring Fund's stockholders. If these changes are not approved, then the Reorganization will not occur regardless of whether it is approved by the Target Fund's stockholders.

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

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

Q: How do I authorize my proxy?

A: You may authorize your proxy by mail, phone or internet or cast your vote in person at the Special Meeting. To authorize a proxy by mail, please mark your vote on the enclosed proxy card and sign, date and return the card in the postage-paid envelope provided. If you choose to authorize a proxy by phone or internet, please refer to the instructions found on the proxy card accompanying this Joint Proxy Statement/Prospectus. To authorize a proxy by phone or internet, you will need the "control number" that appears on the proxy card. If you own shares of the Target Fund and the Acquiring Fund, please be sure to submit a proxy card for each Fund to ensure your votes are cast for each Fund.

Q: Whom do I contact for further information?

A: You may contact your financial advisor for further information. You may also call D.F. King & Co., Inc., the Funds' proxy solicitor, at (866) 796-7186.

Please vote now. Your vote is important.

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

ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.
2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067

NOTICE OF JOINT SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 14, 2015

Notice is hereby given that a joint special meeting of stockholders (the "Special Meeting") of Ares Multi-Strategy Credit Fund, Inc. ("ARMF" or the "Target Fund") and Ares Dynamic Credit Allocation Fund, Inc. ("ARDC" or the "Acquiring Fund," and collectively with the Target Fund, the "Funds" and each, a "Fund"), each a Maryland corporation, will be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on July 14, 2015 at 12:00 p.m. (Pacific time) for the following purposes:

1. ARMF The Reorganization of the Target Fund

Stockholders of Ares Multi-Strategy Credit Fund, Inc. (ARMF):

Proposal 1: The stockholders of ARMF are being asked to approve the reorganization of ARMF into ARDC pursuant to the Agreement and Plan of Reorganization between ARMF and ARDC (the "Reorganization Agreement"), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act of 1940 and the dissolution of ARMF under Maryland law. Pursuant to the Reorganization Agreement, the Target Fund would transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and shares of common stock ("common shares") of the Acquiring Fund, after which those shares will be distributed by the Target Fund to the holders of its shares (the "Reorganization") and the Target Fund will dissolve under Maryland law. The consummation of the Reorganization is contingent on the approval by the stockholders of ARDC of the proposals relating to ARDC described below.

2. ARDC The Issuance of Additional Common Shares of the Acquiring Fund and Changes to the Acquiring Fund's Fundamental Investment Restrictions and 80% Investment Policy

Stockholders of Ares Dynamic Credit Allocation Fund, Inc. (ARDC):

Proposal 2(A): The stockholders of ARDC are being asked to approve the issuance of additional common shares of ARDC in connection with the Reorganization. The consummation of the Reorganization is contingent on this proposal, the approval by the Target Fund of the Reorganization Agreement and the approval by Acquiring Fund stockholders of the changes to the Acquiring Fund's fundamental investment restrictions and the changes to the Acquiring Fund's 80% investment policy.

Proposal 2(B): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 5, relating to the Fund's making of loans, providing ARDC with greater flexibility to invest in securities issued by entities commonly referred to as collateralized loan obligations or CLOs ("CLO Securities") that are not investment grade, including CLO debt securities and CLO equity securities.

Proposal 2(C): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 6, relating to the Fund's concentration policy, providing ARDC with greater flexibility in selecting its investments, particularly CLO Securities that are rated below investment grade and CLO equity securities.

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Proposal 2(D): The stockholders of ARDC are being asked to approve a change to the ARDC's investment policy such that, under normal market conditions, at least 80% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will be invested in debt instruments, including (i) senior secured loans made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (such policy, the "New ARDC 80% Policy").

Proposals 2(B), 2(C) and 2(D) are not contingent on the consummation of the Reorganization and, regardless of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and the New ARDC 80% Policy would become effective upon approval by ARDC's stockholders. The Reorganization will be consummated only if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve Proposals 2(A), 2(B), 2(C) and 2(D).

Stockholders of each Fund of record as of the close of business on May 22, 2015 are entitled to vote at the Special Meeting or any adjournment, postponement or delay thereof.

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

THE BOARD OF ARMF UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE REORGANIZATION OF ARMF PURSUANT TO THE REORGANIZATION AGREEMENT AS DESCRIBED IN THE JOINT PROXY STATEMENT/PROSPECTUS, INCLUDING THE TRANSFER OF ALL OF THE ASSETS OF ARMF TO ARDC **AND** THE DEREGISTRATION OF ARMF AS AN INVESTMENT COMPANY PURSUANT TO THE INVESTMENT COMPANY ACT OF 1940 **AND** THE DISSOLUTION OF ARMF UNDER MARYLAND LAW.

THE BOARD OF ARDC UNANIMOUSLY RECOMMENDS THAT YOU CAST YOUR VOTE:

FOR THE ISSUANCE OF ADDITIONAL COMMON SHARES OF ARDC IN CONNECTION WITH THE REORGANIZATION.

FOR THE CHANGES TO ARDC'S FUNDAMENTAL INVESTMENT RESTRICTION NUMBER 5.

FOR THE CHANGES TO ARDC'S FUNDAMENTAL INVESTMENT RESTRICTION NUMBER 6.

FOR THE NEW ARDC 80% POLICY.

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

By order of the Boards of Directors of the Funds

DANIEL J. HALL

Secretary

June 15, 2015

YOUR VOTE IS IMPORTANT.

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

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 14, 2015.

THE JOINT PROXY STATEMENT/PROSPECTUS FOR THIS MEETING IS AVAILABLE AT:
ARESPUBLICFUNDS.COM/FUNDS/ARDC/INVESTOR-DOCUMENTS
OR
ARESPUBLICFUNDS.COM/FUNDS/ARMF/INVESTOR-DOCUMENTS

JOINT PROXY STATEMENT/PROSPECTUS

ARES MULTI-STRATEGY CREDIT FUND, INC.
ARES DYNAMIC CREDIT ALLOCATION FUND, INC.

2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067
For questions about the Joint Proxy Statement/Prospectus, please call (866) 796-7186

JOINT SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 14, 2015

This Joint Proxy Statement/Prospectus is furnished to you as a stockholder of (i) Ares Multi-Strategy Credit Fund, Inc. ("ARMF" or the "Target Fund") and/or (ii) Ares Dynamic Credit Allocation Fund, Inc. ("ARDC" or the "Acquiring Fund" and, together with ARMF, each a "Fund" and together the "Funds"). ARMF and ARDC are each corporations organized under the laws of the State of Maryland and registered as non-diversified, closed-end investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act"). A joint special meeting (the "Special Meeting") of stockholders of ARMF and ARDC will be held at the offices of Ares Capital Management II LLC, 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, on July 14, 2015 at 12:00 p.m. (Pacific time) to consider the proposals listed below and discussed in greater detail elsewhere in this Joint Proxy Statement/Prospectus. If you are unable to attend the Special Meeting or any adjournment or postponement thereof, the Board of Directors of each Fund (each, a "Board") recommends that you vote your shares of common stock ("common shares") by completing and returning the enclosed proxy card or by recording your voting instructions by authorizing a proxy by telephone or via the Internet. The approximate mailing date of this Joint Proxy Statement/Prospectus and accompanying form of proxy is June 16, 2015.

The purposes of the Special Meeting are:

1. ARMF The Reorganization of the Target Fund

Stockholders of Ares Multi-Strategy Credit Fund, Inc. (ARMF):

Proposal 1: The stockholders of ARMF are being asked to approve the reorganization of ARMF into ARDC pursuant to the Agreement and Plan of Reorganization between ARMF and ARDC (the "Reorganization Agreement"), including the transfer of all of the assets of ARMF to ARDC, the deregistration of ARMF as an investment company pursuant to the Investment Company Act and the dissolution of ARMF under Maryland law. Pursuant to the Reorganization Agreement, the Target Fund would transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and common shares of the Acquiring Fund, after which those shares will be distributed by the Target Fund to the holders of its shares (the "Reorganization") and the Target Fund will dissolve under Maryland law. The consummation of the Reorganization is contingent on the approval by the stockholders of ARDC of the proposals relating to ARDC described below.

2. ARDC The Issuance of Additional Common Shares of the Acquiring Fund and Changes to the Acquiring Fund's Fundamental Investment Restrictions and 80% Investment Policy

Stockholders of Ares Dynamic Credit Allocation Fund, Inc. (ARDC):

Proposal 2(A): The stockholders of ARDC are being asked to approve the issuance of additional common shares of ARDC in connection with the Reorganization. The consummation of the Reorganization is contingent on this proposal, the approval by the Target Fund of the Reorganization Agreement and the approval by the stockholders of the Acquiring Fund of the changes to the Acquiring Fund's fundamental investment restrictions and the changes to the Acquiring Fund's 80% investment policy.

Proposal 2(B): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 5, relating to the Fund's making of loans, providing ARDC with greater flexibility to invest in securities issued by entities commonly referred to as collateralized loan obligations or CLOs ("CLO Securities") that are not investment grade, including CLO debt securities and CLO equity securities.

Proposal 2(C): The stockholders of ARDC are being asked to approve a change to ARDC's Fundamental Investment Restriction number 6, relating to the Fund's concentration policy, providing ARDC with greater flexibility in selecting its investments, particularly CLO Securities that are rated below investment grade and CLO equity securities.

Proposal 2(D): The stockholders of ARDC are being asked to approve a change to the ARDC's investment policy such that, under normal market conditions, at least 80% of its Managed Assets (as defined in the Joint Proxy Statement/Prospectus) will be invested in debt instruments, including (i) senior secured loans made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (such policy, the "New ARDC 80% Policy").

Proposals 2(B), 2(C) and 2(D) are not contingent on the consummation of the Reorganization and, regardless of whether the Reorganization is consummated, the changes to ARDC's fundamental investment restrictions and the New ARDC 80% Policy would become effective upon approval by ARDC's stockholders. The Reorganization will be consummated only if the stockholders of ARMF approve Proposal 1 and the stockholders of ARDC approve Proposals 2(A), 2(B), 2(C) and 2(D). Proposals 2(A), 2(B), 2(C) and 2(D) are collectively referred to as the "ARDC Proposals."

Stockholders of each Fund of record as of the close of business on May 22, 2015 are entitled to vote at the Special Meeting or any adjournment, postponement or delay thereof.

ARDC will be the Fund surviving the Reorganization. The term "Combined Fund" refers to ARDC as the surviving Fund after the Reorganization, and assumes that the investment policy and restriction changes in Proposals 2(B), 2(C) and 2(D) (described below) have been approved by ARDC stockholders.

The Reorganization proposes to combine two Funds that have the same Adviser, the same portfolio managers, the same Board members and similar (but not identical) investment objectives, policies, strategies, risks and restrictions. In addition, both Funds list their common shares on the NYSE, utilize similar amounts of leverage and have adopted substantially the same dividend reinvestment plans. Pursuant to the Reorganization Agreement, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization. The Combined Fund will continue to operate after the Reorganization as a registered, closed-end management investment company. In connection with the Reorganization, the stockholders of the Acquiring Fund are being asked to approve the issuance of additional common shares of the Acquiring Fund. Separate from the proposals regarding the Reorganization, ARDC is seeking to amend certain of its fundamental

investment restrictions and make changes to its current 80% investment policy. These changes, if approved, will provide ARDC with greater flexibility in selecting its investments similar to the investment flexibility currently available to ARMF.

In the Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly-issued common shares of the Acquiring Fund, par value $0.001 per share ("Acquiring Fund Shares"), in the form of book entry interests. The aggregate net asset value ("NAV") (not the market value) of the Acquiring Fund Shares received by the stockholders of the Target Fund in the Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such stockholders immediately prior to the Reorganization, less the applicable costs of the Reorganization (although Target Fund stockholders may receive cash for their fractional common shares). The market value of the common shares of the Combined Fund may be less than the market value of the common shares of the Target Fund prior to the Reorganization.

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

In the event that the proposals associated with the Reorganization are not approved by the requisite vote of the stockholders of the Target Fund or the Acquiring Fund, each Fund would continue to exist and operate on a stand-alone basis. However, if the Reorganization of the Target Fund is not approved, Ares Capital Management II LLC, each Fund's investment adviser (the "Adviser"), may, in connection with the ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

This Joint Proxy Statement/Prospectus sets forth concisely the information that stockholders of each Fund should know before voting on the proposals for their Fund and constitutes an offering of Acquiring Fund Shares. Please read it carefully and retain it for future reference. A Statement of Additional Information, dated June 15, 2015, relating to this Joint Proxy Statement/Prospectus (the "Statement of Additional Information") has been filed with the United States Securities and Exchange Commission (the "SEC") and is incorporated herein by reference. Copies of each Fund's most recent annual report and semi-annual report can be obtained on a website maintained by the Adviser at www.arespublicfunds.com. In addition, each Fund will furnish, without charge, a copy of the Statement of Additional Information, or its most recent annual report or semi-annual report to any stockholder upon request. Any such request should be directed to D.F. King & Co., Inc., the Fund's proxy solicitor, by calling (866) 796-7186 or by writing to D.F. King & Co., Inc. at 48 Wall Street, 22nd Floor, New York, New York 10005 or by sending an e-mail to ares@dfking.com. The Statement of Additional Information and the annual and semi-annual reports of each Fund are available on the EDGAR Database on the SEC's website at www.sec.gov. The address of the principal executive offices of the Funds is 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, and the telephone number is (310) 201-4100.

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

The Adviser updates performance information for the Funds, as well as certain other information for the Funds, periodically on its website in the "About ARMF" and "About ARDC" sections of

http://www.arespublicfunds.com. Stockholders are advised to periodically check the website for updated performance information and other information about the Funds.

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

The common shares of Ares Dynamic Credit Allocation Fund, Inc. are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "ARDC" and will continue to be so listed after the completion of the Reorganization. The common shares of Ares Multi-Strategy Credit Fund, Inc. are listed on the NYSE under the ticker symbol "ARMF." Reports, proxy statements and other information concerning the Funds may be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

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

Photographic identification and proof of ownership will be required for admission to the Special Meeting. For directions to the Special Meeting, please contact D.F. King & Co., Inc., the firm assisting us in the solicitation of proxies, at (866) 796-7186.

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

The date of this Joint Proxy Statement/Prospectus is June 15, 2015.

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SUMMARY

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

PROPOSAL 1: THE REORGANIZATION OF THE TARGET FUND

The Proposed Reorganization

The Board of each Fund, including the directors (the "Board Members") who are not "interested persons" of each Fund (as defined in the Investment Company Act) (the "Independent Board Members"), has unanimously approved the Reorganization, including the Reorganization Agreement. Assuming the Target Fund's stockholders approve the Reorganization and the Acquiring Fund's stockholders approve the ARDC Proposals, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for Acquiring Fund Shares, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization and other necessary filings. The Target Fund will then dissolve under Maryland law.

In the Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly issued Acquiring Fund Shares in the form of book entry interests. The aggregate NAV (not the market value) of the Acquiring Fund Shares received by the Target Fund stockholders in the Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such stockholders immediately prior to the Reorganization, less the applicable costs of such Reorganization (although Target Fund stockholders may receive cash for their fractional common shares). The market value of the common shares of the Combined Fund may be less than the market value of the common shares of the Target Fund prior to the Reorganization.

Background and Reasons for the Proposed Reorganization

The Reorganization proposes to combine two Funds that have the same Adviser, the same portfolio managers, the same Board members and similar (but not identical) investment objectives, policies, strategies, risks and restrictions. In addition, both Funds list their common shares on the NYSE, utilize similar amounts of leverage and have adopted substantially the same dividend reinvestment plans. The Board of each Fund, including the Independent Board Members, has determined that the Reorganization is in the best interests of the applicable Fund and that the interests of the existing stockholders of the applicable Fund will not be diluted with respect to NAV as a result of the Reorganization. In reaching its determinations, the Board of each Fund considered a number of factors presented at the time of the Board Meeting (as defined below) or at a prior meeting, including, but not limited to, the following:

- the potential for a lower total annual expense ratio for ARMF and a commensurate, but slightly lower, total annual expense ratio for ARDC, in each case as compared to the expense ratio of the Fund prior to the Reorganization;

- the potential for comparable (*i.e.*, slightly lower or higher) earnings, which is expected to allow the Combined Fund to achieve a distribution yield on NAV comparable to the distribution yield on NAV for each of the Funds prior to the Reorganization;

- As of May 31, 2015, the distribution yield on NAV of ARDC was 7.64% and the distribution yield on NAV of ARMF was 8.09%. There can be no assurance that ARDC or ARMF will be able to maintain

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their current distribution yields on NAV or that the Combined Fund's distribution yield on NAV will equal or exceed the Funds' current distribution yields on NAV.

- the compatibility of the Funds' current and/or proposed investment objectives, policies and related risks, including that each Fund's stockholders will continue to invest in the Combined Fund, which will provide exposure to a dynamically managed portfolio of senior loans, corporate bonds and collateralized loan obligation ("CLO") investments;

- the potential for greater investment flexibility and investment options for the Combined Fund, including the potential for greater diversification of portfolio investments and the potential for additional sources of leverage, greater flexibility managing leverage and more competitive leverage terms;

- the consistency of portfolio management and portfolio composition of each Fund and the Combined Fund;

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

- the potential for additional research coverage and an increased focus by investors on the Combined Fund;

- a possible narrowing of the trading discount to NAV of the Combined Fund to the extent the discount is affected by the other potential benefits of the Reorganization (e.g., additional analyst coverage, greater secondary market liquidity, potential operating efficiencies);

- the anticipated tax-free nature of the Reorganization and each Fund's capital loss carryforwards;

- the potential effects on each Fund's undistributed net investment income and the distributions of the Combined Fund to stockholders;

- the potential for certain operating and administrative efficiencies, as the Combined Fund could have the ability to trade in larger positions and negotiate more favorable transaction terms, and certain fixed costs (e.g., printing and mailing of stockholder reports and proxy statements, legal expenses, audit fees and other expenses) would be spread across the larger asset base of the Combined Fund;

- the expected costs of the Reorganization to the Funds; and

- whether the Adviser and its affiliates might benefit from the Reorganization

Each Board's determination was made on the basis of each Board Member's business judgment after consideration of all of the factors taken as a whole with respect to its Fund and stockholders, although individual Board Members may have placed different weight on various factors and assigned different degrees of materiality to various factors. The Boards' considerations are described in greater detail under "Reasons for the Reorganization."

Expenses

The total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund) reflecting expense savings resulting from the consolidation of certain Fund operations, are as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
2.77%	2.58%	2.53%

If the Reorganization had taken place as of the end of each Fund's last fiscal year, the Funds estimate that the completion of the Reorganization would have resulted in a total annual expense ratio for the Combined Fund of 2.53%, representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.24% and 0.05%, respectively. When we use the term "total annual expense ratio" above, we mean a Fund's total annual expenses expressed as a percentage of its average net assets attributable to its common shares.

Following October 31, 2014, each Fund became subject to certain additional or increased expenses. The following charts, using the assumptions indicated, show the total annual expense ratios of the Funds as adjusted to more closely reflect current operating expenses and additional expenses anticipated to be incurred by the Funds.

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014.

Under each Fund's advisory agreement, the Adviser may seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates. The Adviser, however, contractually agreed not to seek reimbursement from the Funds for these administrative costs during the fiscal year ended October 31, 2014. As a result, Adviser reimbursement expenses do not appear in the total annual expense ratio shown above for either Fund (or in the *pro forma* expense ratio for the Combined Fund) for the period ended October 31, 2014. Commencing November 1, 2014, ARDC began reimbursing the Adviser for these administrative costs. Additionally, the Adviser will be permitted to seek administrative cost reimbursements from ARMF beginning November 1, 2015.

If the Adviser were permitted to seek reimbursement from the Funds for the costs of these administrative services during the fiscal year ended October 31, 2014, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
3.40%	2.82%	2.75%

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014, As Further Adjusted to Account for Leverage, Interest Expense and Other Operating Expenses.

For the fiscal year ending October 31, 2014, both ARDC and ARMF were not required to reimburse the Adviser for the costs of certain services during the reporting period. In addition, ARMF commenced operations

in October 2013 and, as a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014.

The following table shows the *pro forma* total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund), in each case assuming (1) for ARDC (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period and (ii) the interest expense on its credit facility was applied at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.15% rate on borrowings to which ARDC was subject prior to amending the credit facility on October 2, 2014); and (2) for ARMF (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period; (ii) the Fund was leveraged 29% and incurred interest expense on its credit facility at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.10% rate on borrowings to which ARMF was subject prior to amending the credit facility on October 2, 2014); and (iii) the Fund was subject to investor relation fees of 0.10% (as compared to 0.12% for the Fund's first year of operations). Based on these assumptions and adjustments, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
3.39%	2.71%	2.68%

There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized. The Adviser has contractually agreed not to seek administrative cost reimbursements from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative services incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of the Combined Fund. The Adviser is not required to seek reimbursement of its costs for providing administrative services and may choose not to do so.

The contractual management fee rate of the Combined Fund will be 1.00%, which is equal to the current contractual management fee rates of each of ARMF and ARDC. Each Fund calculates its management fee on the basis of the Fund's Managed Assets (as defined in each Fund's advisory agreement). If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services is higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. For the fiscal year ended October 31, 2014, the effective management fee rates were 1.36% and 1.41% for ARMF and ARDC, respectively. Based on the October 31, 2014 fiscal year end financial statements for each Fund, the *pro forma* effective management fee rate for the Combined Fund would be expected to be 1.39% of the Combined Fund's average daily net assets.

ARMF, however, commenced operations in October 2013. As a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014. If each of ARMF and ARDC is assumed to have leveraged its portfolio by approximately 29%, the effective management fee rate for each of ARMF, ARDC and the Combined Fund is expected to be 1.41% of each Fund's average daily net assets.

Appraisal Rights

Neither Fund's stockholders have appraisal rights for their common shares in their respective Fund.

Comparison of the Funds

The Funds have similar (but not identical) investment objectives, investment strategies and restrictions. The investment objective and strategies of the Acquiring Fund are non-fundamental and may be changed by the Board of the Acquiring Fund on prior notice to stockholders. *Separately from the proposals included in this Joint Proxy Statement/Prospectus, ARDC has provided notice to its stockholders that it changed certain of its investment strategies to provide ARDC with greater flexibility in selecting its investments similar to the investment flexibility currently available to ARMF.* In addition, stockholders of the Acquiring Fund are being asked to vote to amend certain fundamental investment restrictions of the Acquiring Fund and to adopt the New ARDC 80% Policy (which would be a non-fundamental investment policy).

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

Investment Objectives. The investment objective of ARMF is to seek an attractive risk-adjusted level of total return, primarily through current income and, secondarily, through capital appreciation. The investment objective of ARDC is to provide an attractive level of total return, primarily through current income and, secondarily, through capital appreciation. The Combined Fund will follow the Acquiring Fund's investment objective.

80% Investment Policies. The Target Fund has adopted a policy to invest, under normal market conditions, at least 80% of its Managed Assets (as defined below) in debt instruments, including (i) senior secured loans made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations (the "ARMF 80% Policy"). The Target Fund defines "Managed Assets" as "the total assets of the Fund (including any assets attributable to any shares of preferred stock that may be issued by the Fund or to money borrowed, including as a result of notes or other debt securities that may be issued by the Fund) minus the sum of (i) accrued liabilities of the Fund (other than liabilities for money borrowed and principal on notes and other debt securities issued by the Fund), (ii) any accrued and unpaid interest on money borrowed and (iii) accumulated dividends on any outstanding shares of common stock and preferred stock issued by the Fund" ("ARMF Managed Assets"). For purposes of this definition, the liquidation preference of any preferred stock issued by the Target Fund is not considered a liability.

The Acquiring Fund has adopted a policy to invest, under normal market conditions, at least 80% of its Managed Assets (as defined below) in (i) secured loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and (ii) corporate bonds that are primarily high yield issues rated below investment grade (the "Current ARDC 80% Policy"). The Acquiring Fund defines "Managed Assets" as "total assets of the Fund (including any assets attributable to any preferred shares that may be issued or to indebtedness) minus the Fund's liabilities other than liabilities relating to indebtedness" ("ARDC Managed Assets"). Although the Target Fund and the Acquiring Fund have adopted slightly different definitions of "Managed Assets," these differences are descriptive in nature and the calculation and treatment of Managed Assets is identical between the Funds.

CLOs that are debt instruments are part of the ARMF 80% Policy, but not the Current ARDC 80% Policy. Investments in fixed-income derivative instruments are explicitly part of the ARMF 80% Policy, but are not explicitly part of the Current ARDC 80% Policy. ARMF's 80% Policy allows for a broader range of investments,

including debt securities issued by CLOs. Stockholders of the Acquiring Fund are being asked to approve the adoption of the New ARDC 80% Policy, which is substantially the same as the ARMF 80% Policy, except that the New ARDC 80% Policy will be based on 80% of ARDC Managed Assets.

Securities Rated Below Caa1 or CCC+. ARMF has adopted a policy to not invest more than 20% of its ARMF Managed Assets in securities that are, at the time of investment, rated Caa1 or lower by Moody's and CCC+ or lower by S&P or Fitch, or comparably rated by another nationally recognized statistical rating organization, or unrated but judged by the Adviser to be of comparable quality. ARMF is prohibited from investing directly in securities rated C or lower by Moody's, or D or lower by S&P or Fitch, or comparably rated by another nationally recognized statistical rating organization or unrated but judged by the Adviser to be of comparable quality. ARDC is not subject to a similar restriction. ARDC, therefore, has greater flexibility to invest in below investment grade instruments.

Issues in Payment Default. ARMF may not invest in issues that are in payment default as of the time of purchase. ARDC does not have a similar restriction. The Combined Fund will not be subject to ARMF's restriction on investments in issues that are in payment default at the time of purchase.

A more detailed comparison of the Funds' investment objectives, significant investment strategies and operating policies, and investment restrictions is set forth under "Comparison of the Funds Investment Objectives and Strategies."

Further Information Regarding the Reorganization

The Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). If the Reorganization so qualifies, Target Fund stockholders will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Acquiring Fund stockholders will also not recognize gain or loss for U.S. federal income tax purposes by reason of the consummation of the Reorganization. It is a condition to the closing of the Reorganization that the Target Fund and the Acquiring Fund receive an opinion from Willkie Farr & Gallagher LLP ("Willkie Farr"), dated as of the closing date of the Reorganization (the "Closing Date"), regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

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

Stockholder approval of the Reorganization by the Target Fund requires the affirmative vote of a majority of all the votes entitled to be cast on the matter. For additional information regarding voting requirements, see "Voting Information and Requirements." Proposal No. 1 for ARMF is contingent on the approval of the ARDC Proposals.

Subject to the requisite approval of the stockholders of the Target Fund and the Acquiring Fund with regard to the Proposals, it is expected that the Closing Date will be sometime during the third quarter of 2015, but it may be at a later date as determined by the Boards.

Investing in the Combined Fund following the Reorganization involves risks. For additional information, see "Risk Factors and Special Considerations."

The Board of the Target Fund recommends that stockholders of ARMF vote "**FOR**" Proposal 1.

PROPOSAL 2: THE ISSUANCE OF THE ACQUIRING FUND'S COMMON SHARES AND CHANGES TO THE ACQUIRING FUND'S FUNDAMENTAL INVESTMENT RESTRICTIONS AND 80% INVESTMENT POLICY

In connection with the proposed Reorganization described under "Proposal 1: The Reorganization of the Target Fund," the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. Stockholders of the Acquiring Fund are being requested to approve the issuance of the Acquiring Fund Shares in connection with the Reorganization. The Acquiring Fund Shares, if approved, will be listed on the NYSE. The Reorganization is not expected to result in any reduction of the NAV of the common shares of the Acquiring Fund, other than to reflect the applicable costs of the Reorganization, including, but not limited to, the issuance of additional Acquiring Fund Shares in connection with the Reorganization.

In addition to the issuance of Acquiring Fund Shares in connection with the proposed Reorganization of the Acquiring Fund, the Acquiring Fund seeks stockholder approval of certain changes to the Acquiring Fund's investment restrictions and policies. If approved, the Acquiring Fund will amend Fundamental Investment Restriction number 5, relating to the Fund's making of loans, and Fundamental Investment Restriction number 6, relating to the Fund's concentration policy, in order to expand the exceptions to these restrictions to permit the Acquiring Fund to invest in both investment grade and below investment grade debt and equity securities issued by CLOs, rather than solely investment grade debt securities issued by CLOs. A comparison of the Funds' fundamental and non-fundamental investment restrictions is set forth under "Comparison of the Funds Investment Restrictions."

It is also proposed that ARDC adopt a new 80% investment policy as follows:

The Fund will invest, under normal market conditions, at least 80% of its ARDC Managed Assets in debt instruments, including (i) senior secured loans made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and (iv) debt securities issued by entities commonly referred to as collateralized loan obligations.

This New ARDC 80% Policy is broader than the Current ARDC 80% Policy. In particular, the New ARDC 80% Policy specifically includes investments in derivatives and CLO debt securities and will be a non-fundamental investment policy.

About the Reorganization

No gain or loss for U.S. federal income tax purposes will be recognized by the Acquiring Fund or its stockholders pursuant to the Reorganization. The Board of the Acquiring Fund, based upon its evaluation of all relevant information, anticipates that the Reorganization will benefit stockholders of the Acquiring Fund. In particular, the Acquiring Fund Board reviewed data presented by the Adviser showing that the Reorganization has the potential to result in a reduced Total Annual Expense Ratio for the Acquiring Fund.

The total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund) reflecting expense savings resulting from the consolidation of certain Fund operations, are as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
2.77%	2.58%	2.53%

If the Reorganization had taken place as of the end of each Fund's last fiscal year, the Funds estimate that the completion of the Reorganization would have resulted in a total annual expense ratio for the Combined Fund of 2.53%, representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.24% and 0.05%, respectively. When we use the term "total annual expense ratio" above, we mean a Fund's total annual expenses expressed as a percentage of its average net assets attributable to its common shares.

Following October 31, 2014, each Fund became subject to certain additional or increased expenses. The following charts, using the assumptions indicated, show the total annual expense ratios of the Funds as adjusted to more closely reflect current operating expenses and additional expenses anticipated to be incurred by the Funds.

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014.

Under each Fund's advisory agreement, the Adviser may seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates. The Adviser, however, contractually agreed not to seek reimbursement from the Funds for these administrative costs during the fiscal year ended October 31, 2014. As a result, Adviser reimbursement expenses do not appear in the total annual expense ratio shown above for either Fund (or in the *pro forma* expense ratio for the Combined Fund) for the period ended October 31, 2014. Commencing November 1, 2014, ARDC began reimbursing the Adviser for these administrative costs. Additionally, the Adviser will be permitted to seek administrative cost reimbursements from ARMF beginning November 1, 2015.

If the Adviser were permitted to seek reimbursement from the Funds for the costs of these administrative services during the fiscal year ended October 31, 2014, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
3.40%	2.82%	2.75%

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014, As Further Adjusted to Account for Leverage, Interest Expense and Other Operating Expenses.

For the fiscal year ending October 31, 2014, both ARDC and ARMF were not required to reimburse the Adviser for the costs of certain services during the reporting period. In addition, ARMF commenced operations in October 2013 and, as a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014.

The following table shows the *pro forma* total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund), in each case assuming (1) for ARDC (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period and (ii) the interest expense on its credit facility was applied at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.15% rate on borrowings to which ARDC was subject prior to amending the credit facility on October 2, 2014); and (2) for ARMF (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period; (ii) the Fund was leveraged 29% and incurred interest expense on its credit facility at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.10% rate on borrowings to which ARMF was subject prior to amending the credit facility on October 2, 2014); and (iii) the Fund was subject to investor relation fees of 0.10% (as compared to 0.12% for the Fund's first year of operations). Based on these assumptions and adjustments, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	**ARDC**	**Pro Forma Combined Fund (ARDC as Surviving Fund)**
3.39%	2.71%	2.68%

There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized. The Adviser has contractually agreed not to seek administrative cost reimbursements from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative services incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of the Combined Fund. The Adviser is not required to seek reimbursement of its costs for providing administrative services and may choose not to do so.

The contractual management fee rate of the Combined Fund will be 1.00%, which is equal to the current contractual management fee rates of each of ARMF and ARDC. Each Fund calculates its management fee on the basis of the Fund's Managed Assets (as defined in each Fund's advisory agreement). If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services is higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. For the fiscal year ended October 31, 2014, the effective management fee rates were 1.36% and 1.41% for ARMF and ARDC, respectively. Based on the October 31, 2014 fiscal year end financial statements for each Fund, the *pro forma* effective management fee rate for the Combined Fund would be expected to be 1.39% of the Combined Fund's average daily net assets.

ARMF, however, commenced operations in October 2013. As a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014. If each of ARMF and ARDC is assumed to have leveraged its portfolio by approximately 29%, the effective management fee rate for each of ARMF, ARDC and the Combined Fund is expected to be 1.41% of each Fund's average daily net assets.

Stockholder approval of the issuance of shares of the Acquired Fund requires the affirmative vote of a majority of votes cast at the meeting relating to this proposal. Stockholder approval of the change to ARDC's fundamental investment restrictions and the New ARDC 80% Policy each require the vote of the lesser of (i) 67% or more of the voting securities represented at a meeting at which more than 50% of the outstanding voting securities are represented; or (ii) more than 50% of the outstanding voting securities. For additional information regarding voting requirements, see "Voting Information and Requirements."

Subject to the requisite approval of the stockholders of each Fund with regard to the Reorganization, it is expected that the Closing Date will be sometime during the third quarter of 2015, but it may be at a later date as determined by the Boards.

Investing in the Combined Fund following the Reorganization involves risks. For additional information, see "Risk Factors and Special Considerations."

The Board of the Acquiring Fund recommends that stockholders of the Acquiring Fund vote "**FOR**" each of the ARDC Proposals.

PROPOSAL 1: THE REORGANIZATION OF THE TARGET FUND

The Reorganization seeks to combine two Funds that have the same Adviser, the same portfolio managers, the same Board members and similar (but not identical) investment objectives, policies, strategies, risks and restrictions. In addition, both Funds list their common shares on the NYSE, utilize similar amounts of leverage and have adopted substantially the same dividend reinvestment plans. See "Comparison of the Funds."

The Board of each Fund, including the Independent Board Members, has unanimously approved the Reorganization, including the Reorganization Agreement. Assuming the Target Fund's stockholders approve the Reorganization and the Acquiring Fund's stockholders approve the ARDC Proposals, the Target Fund will transfer all of its assets to the Acquiring Fund in exchange for the assumption by the Acquiring Fund of the stated liabilities of the Target Fund and for common shares of the Acquiring Fund, which shares will be distributed by the Target Fund to the holders of its common shares in complete liquidation thereof. The Target Fund will terminate its registration under the Investment Company Act after the completion of the Reorganization and certain necessary filings. The Acquiring Fund will continue to operate after the Reorganization as a registered, closed-end investment company with the investment objective and policies of the Combined Fund described in this Joint Proxy Statement/Prospectus.

In the Reorganization, the outstanding common shares of the Target Fund will be exchanged for newly issued Acquiring Fund Shares in the form of book entry interests. The aggregate NAV (not the market value) of the Acquiring Fund Shares received by the Target Fund stockholders in the Reorganization will equal the aggregate NAV (not the market value) of the Target Fund common shares held by such stockholders immediately prior to the Reorganization, less the applicable costs of such Reorganization (although Target Fund stockholders may receive cash for their fractional common shares). The market value of the common shares of the Combined Fund may be less than the market value of the common shares of the Target Fund prior to the Reorganization.

Each Board has reviewed data presented by the Adviser and believes that the Reorganization has the potential to result in a reduced Total Annual Expense Ratio for the stockholders of ARMF and ARDC, as certain fixed costs would be spread across the Combined Fund's larger asset base.

In approving the proposed Reorganization, the Board of each Fund, including the Independent Board Members, determined that participation in the Reorganization is in the best interests of its Fund and its stockholders and that the interests of its stockholders will not be diluted with respect to the NAV of such Fund as a result of the Reorganization. Before reaching these conclusions, the Board of each Fund, including the Independent Board Members, engaged in a thorough review process relating to the proposed Reorganization. See "Reasons for the Reorganization."

If the Reorganization is not approved, each Fund will continue to operate as a standalone Maryland corporation and will continue to be advised by the Adviser. If, however, the Reorganization is not approved, the Adviser may, in connection with ongoing management of the Target Fund, recommend alternative proposals to the Board of the Target Fund.

The Reorganization is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the Code. If the Reorganization so qualifies, Target Fund stockholders will not recognize gain or loss for U.S. federal income tax purposes upon the exchange of their Target Fund common shares for Acquiring Fund Shares pursuant to the Reorganization (except with respect to cash received in lieu of fractional shares). Acquiring Fund stockholders will also not recognize gain or loss for U.S. federal income tax purposes by reason of the consummation of the Reorganization. It is a condition to the closing of the Reorganization that the Target Fund and the Acquiring Fund receive an opinion from Willkie Farr, dated as of the Closing Date, regarding the characterization of the Reorganization as a reorganization within the meaning of Section 368(a) of the Code.

Stockholder approval of the Reorganization by the Target Fund requires the affirmative vote of a majority of all the votes entitled to be cast on the matter. For additional information regarding voting requirements, see "Voting Information and Requirements."

FEE AND EXPENSE TABLE FOR STOCKHOLDERS

Fee and Expense Table for Stockholders of the Funds as of October 31, 2014

The Fee and Expense Table below provides information about the fees and expenses attributable to shares of the Funds, assuming the Reorganization had taken place at the end of the Target Fund's most recent fiscal year, and the estimated *pro-forma* fees and expenses attributable to shares of the *pro-forma* Combined Fund. The percentages presented in the fee table are based on fees and expenses incurred during the fiscal year ended October 31, 2014. Future fees and expenses may be greater or less than those indicated below. For information concerning the net assets of the Target Fund as of the date of the Target Fund's most recent fiscal year ended October 31, 2014, see "Capitalization."

	Target Fund (ARMF)[(a)]	**Acquiring Fund (ARDC)[(b)]**	**Pro Forma Combined Fund (ARDC as Surviving Fund)**
Stockholder Transaction Expenses			
Sales Load (as a percentage of the common share offering price)[(c)]	None	None	None
Dividend Reinvestment Plan Fees[(d)]	None	None	None
Annual Total Expenses Borne by Common Stockholders			
Management Fees[(e)]	1.36%	1.41%	1.39%
Interest Payments on Borrowed Funds	0.48%	0.56%	0.54%
Other Expenses[(f)(g)(h)]	0.93%	0.61%	0.60%
Total Annual Expenses (inclusive of interest expense)[(i)]	2.77%	2.58%	2.53%

(a) This table reflects that, as of October 31, 2014, ARMF had incurred indebtedness in an aggregate amount of 27% of its Managed Assets (after the incurrence of such indebtedness).

(b) This table reflects that, as of October 31, 2014, ARDC had incurred indebtedness in an aggregate amount of 29% of its Managed Assets (after the incurrence of such indebtedness).

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

(d) The plan administrator's service fee, if any, and expenses for administering the plan is paid for by each Fund. You may be required to pay brokerage commissions in connection with the reinvestment of dividends and distributions. See "Dividend Reinvestment Plan."

(e) The Adviser is entitled to receive a monthly management fee at the annual rate of 1% of the average daily value of each Fund's Managed Assets (as defined in each Fund's advisory agreement) and will be entitled to receive a monthly management fee at the annual rate of 1% of the average daily value of the Combined Fund's Managed Assets. If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services will be higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. The effective management fee for each Fund reflects the leverage used by the Fund as of its October 31, 2014 fiscal year end. For the purposes of this table, it is assumed that the Combined Fund will have indebtedness of approximately 29% of the Managed Assets of the Combined Fund (after the leverage is incurred).

ARMF commenced operations in October 2013 and spent a portion of its 2014 fiscal year investing the proceeds from its initial public offering. As a result, ARMF did not employ its current level of leverage during the 2014 fiscal year. Based on ARMF's averaged leverage ratio from December 2, 2013 (the date that ARMF entered into its credit facility following its initial public offering and began utilizing leverage) to October 31, 2014, representing 29% of its Managed Assets, ARMF's effective management fee rate would be 1.41%.

(f) For ARMF, the Adviser has the right under its advisory agreement to be reimbursed for costs related to administrative services provided by the Adviser and its affiliates to ARMF. The Adviser has contractually agreed until October 31, 2015 to not seek reimbursement from ARMF for costs of the Adviser and its affiliates for providing certain non-advisory services to ARMF. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of ARMF. Payment of these reimbursements would cause ARMF's Total Annual Expenses to increase.

(g) For ARDC, the Adviser has the right under its advisory agreement to be reimbursed for costs related to administrative services provided by the Adviser and its affiliates to ARDC, provided that no such reimbursement shall be payable by ARDC in respect of costs of the Adviser or its affiliates incurred prior to November 1, 2014. If ARDC's "Other Expenses" as of October 31, 2014 are adjusted to include estimated costs of $796,544 reflecting reimbursements for administrative services provided by the Adviser and its affiliates that the Fund would have paid to the Adviser had the Adviser been permitted to seek reimbursement from the Fund for these costs during the fiscal year ended October 31, 2014 then the "Other Expenses" for ARDC would have equaled 0.85%.

(h) If the Reorganization closes prior to November 1, 2015, the Adviser expects to seek reimbursement from the Combined Fund for certain administrative services provided to the Combined Fund by the Adviser and its affiliates from the Closing Date of the Reorganization until October 31, 2015. The Adviser, however, has contractually agreed to not seek administrative expense reimbursement from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative costs incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of ARDC (i.e., the directors of the Combined Fund). If the Combined Fund's *pro forma* "Other Expenses" as of October 31, 2014 are adjusted to include estimated costs of $796,544 reflecting reimbursements for administrative services provided by the Adviser and its affiliates to ARDC that ARDC would have paid to the Adviser had the Adviser been permitted to seek reimbursement from the Fund for these costs during the fiscal year ended October 31, 2014 then the "Other Expenses" for the Combined Fund would have equaled 0.77%.

(i) Assuming that each Fund is the same size as in the table above and has its credit facility in place (including the incurrence of commitment fees or similar charges associated with entering into the credit facility), but that no borrowing and therefore no interest expense is incurred, each Fund's estimated total annual expenses would be:

ARMF	**ARDC**	**Pro Forma Combined Fund (ARDC as Surviving Fund)**
2.29%	2.02%	1.99%

The following example is intended to help you compare the costs of investing in the common shares of the Combined Fund, on a *pro forma* basis as of October 31, 2014, if the Reorganization is completed with the costs of investing in the Target Fund and the Acquiring Fund without the Reorganization. An investor holding common shares would pay the following expenses on a $1,000 investment, assuming (1) the Total Annual Expenses Ratio (including Interest Payments on Borrowed Funds) for each Fund set forth in the Fee and Expense Table above and (2) a 5% annual return throughout the period:

	1 Year	**3 Years**	**5 Years**	**10 Years**
ARMF	$ 28	$ 87	$ 148	$ 313
ARDC	$ 26	$ 81	$ 139	$ 294
Pro Forma Combined Fund (ARDC as Surviving Fund)	$ 26	$ 80	$ 136	$ 289

If no borrowing is incurred and therefore no interest paid on indebtedness is included, the total expenses incurred for 1, 3, 5 and 10 years would be $23, $72, $124 and $265, respectively, for ARMF; $21, $64, $110 and $237, respectively, for ARDC; and $20, $63, $108 and $233, respectively, for the Combined Fund.

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

Each Fund will bear expenses incurred in connection with the Reorganization that are not reflected in "Other Expenses," including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreement and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to stockholders, SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganization, including legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganization,

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which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate.

Because the Funds have already incurred expenses solely and directly attributable to the Reorganization and because the Funds (and not the Adviser) are responsible for paying those expenses, if ARMF's or ARDC's respective stockholders do not approve the Reorganization or Proposals 2(A), 2(B), 2(C) and 2(D), as applicable, each Fund will continue to be responsible for the expenses arising from the proposed Reorganization even though the proposed Reorganization will not occur, and those expenses may be material.

The expenses of the Reorganization are estimated to be $407,500 for ARMF and $407,500 for ARDC. The actual costs associated with the proposed Reorganization may be more or less than the estimated costs discussed herein. The Adviser will not be responsible for any Reorganization expenses, including expenses related to Proposals 1, 2(A), 2(B), 2(C) and 2(D). Neither the Funds nor the Adviser will pay any expenses of stockholders arising out of or in connection with the Reorganization or any other proposals (e.g., expenses incurred by the stockholders as a result of attending the stockholder meeting, voting on the Reorganization or any other proposals or other action taken by the stockholders in connection with the Reorganization).

RISK FACTORS AND SPECIAL CONSIDERATIONS

Comparison of Risks

Because the Funds have similar (but not identical) investment objectives and principal investment strategies, the Funds generally are subject to substantially similar investment risks. The Combined Fund will be managed in accordance with the same investment objective and investment policies, and subject to the same risks, as the Acquiring Fund, including, if approved, the New ARDC 80% Policy. Many of the investment risks associated with an investment in the Acquiring Fund are substantially similar to those associated with an investment in the Target Fund. To the extent the Acquiring Fund invests more of its assets in debt instruments, including (i) senior secured loans ("Senior Loans") made primarily to companies whose debt is rated below investment grade, (ii) corporate bonds ("Corporate Bonds") that are primarily high yield issues rated below investment grade, (iii) other fixed-income instruments of a similar nature that may be represented by derivatives, and, (iv) to the extent such securities are debt instruments, CLO Securities, it may have greater exposure to the risks associated with investment in those securities and financial instruments. The New ARDC 80% Policy is broader than the Current ARDC 80% Policy. In particular, the New ARDC 80% Policy specifically includes in the 80% policy (i) fixed income securities that are represented by derivatives and (ii) CLO debt securities. Similar to the proposed change in ARDC's fundamental investment policies above, if the stockholders of ARDC approve the New ARDC 80% Policy, ARDC will have greater flexibility to invest in derivative instruments and CLO Securities. ARDC will also have greater flexibility in selecting its investments, particularly CLO Securities that are rated below investment grade and CLO equity securities. These changes may also result in an increase in ARDC's exposure to the risks associated with derivative instruments and CLO Securities.

There can be no assurance that the Acquiring Fund will achieve its investment objective or be able to structure its investment portfolio as anticipated. The Acquiring Fund expects that its allocation to different types of investments and financial instruments will change over time based on market conditions, the current views of its Adviser and other factors.

In addition, as exchange-traded closed-end funds, the Funds are subject to the risk that the Funds' common shares may trade at a discount from the Funds' NAVs. Accordingly, the Funds are primarily designed for long-term investors and should not be considered a vehicle for trading purposes.

See "Comparison of the Funds" in this Joint Proxy Statement/Prospectus for a more detailed description of the salient differences among the Funds.

Risks Related to the Reorganization

Expenses.

While the Funds currently estimate that the Reorganization will result in reduced aggregate expenses of the Combined Fund if the Reorganization is completed, the realization of these reduced expenses will not affect holders of the Funds proportionately, and may take longer than expected to be realized or may not be realized at all.

After the Reorganization, the Combined Fund is expected to incur lower total annual expenses on a per common share basis than is currently incurred by ARMF and ARDC. In addition, the Combined Fund may incur higher total annual expenses for a period after the completion of the Reorganization due to expenses associated with the Reorganization prior to experiencing such savings or may never experience such savings if its fixed costs were to increase or the value of its assets were to decrease. When we use the term "total annual expenses," we mean a Fund's total annual operating expenses (including interest expenses). When we use the term "total annual expense ratio," we mean a Fund's total annual expenses expressed as a percentage of its average net assets attributable to its common shares.

The total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund) reflecting expense savings resulting from the consolidation of certain Fund operations, are as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
2.77%	2.58%	2.53%

If the Reorganization had taken place as of the end of each Fund's last fiscal year, the Funds estimate that the completion of the Reorganization would have resulted in a total annual expense ratio for the Combined Fund of 2.53%, representing a reduction in the total annual expense ratio for the stockholders of ARMF and ARDC of 0.24% and 0.05%, respectively.

Following October 31, 2014, each Fund became subject to certain additional or increased expenses. The following charts, using the assumptions indicated, show the total annual expense ratios of the Funds as adjusted to more closely reflect current operating expenses and additional expenses anticipated to be incurred by the Funds.

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014.

Under each Fund's advisory agreement, the Adviser may seek reimbursement from the Funds for the costs of certain administrative services provided to the Funds by the Adviser and its affiliates. The Adviser, however, contractually agreed not to seek reimbursement from the Funds for these administrative costs during the fiscal year ended October 31, 2014. As a result, Adviser reimbursement expenses do not appear in the total annual expense ratio shown above for either Fund (or in the *pro forma* expense ratio for the Combined Fund) for the period ended October 31, 2014. Commencing November 1, 2014, ARDC began reimbursing the Adviser for these administrative costs. Additionally, the Adviser will be permitted to seek administrative cost reimbursements from ARMF beginning November 1, 2015.

If the Adviser were permitted to seek reimbursement from the Funds for the costs of these administrative services during the fiscal year ended October 31, 2014, the Funds estimate that the pro forma total annual expense ratios would have been as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
3.40%	2.82%	2.75%

Pro Forma Total Expenses Assuming Each Fund Was Required to Reimburse the Adviser for Certain Costs During the Fiscal Year Ended October 31, 2014, As Further Adjusted to Account for Leverage, Interest Expense and Other Operating Expenses.

For the fiscal year ending October 31, 2014, both ARDC and ARMF were not required to reimburse the Adviser for the costs of certain services during the reporting period. In addition, ARMF commenced operations in October 2013 and, as a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014.

The following table shows the *pro forma* total annual expense ratios of ARMF and ARDC as of each Fund's fiscal year ended October 31, 2014, and the *pro forma* total annual expense ratio for the Combined Fund (with ARDC as the surviving fund), in each case assuming (1) for ARDC (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period and (ii) the interest expense on its credit facility was applied at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.15% rate on borrowings to which ARDC was subject prior to amending the credit facility on October 2, 2014); and (2) for ARMF (i) the Adviser was permitted to seek reimbursement from the Fund for the costs of administrative services during that period; (ii) the Fund was leveraged 29% and incurred interest expense on its credit facility at its current rate of LIBOR plus 0.85% during the entire period (as compared to the LIBOR plus 1.10% rate on borrowings to which ARMF was subject prior to amending the credit facility on October 2, 2014); and (iii) the Fund was subject to investor relation fees of 0.10% (as compared to 0.12% for the Fund's first year of operations). Based on these assumptions and adjustments, the Funds estimate that the *pro forma* total annual expense ratios would have been as follows:

ARMF	ARDC	Pro Forma Combined Fund (ARDC as Surviving Fund)
3.39%	2.71%	2.68%

There can be no assurance that future expenses will not increase or that any expense savings for either Fund will be realized. The Adviser has contractually agreed not to seek administrative cost reimbursements from the Combined Fund for the period from the date the Reorganization is consummated through October 31, 2015 for the administrative services incurred during that period that are allocable to the NAV of ARMF calculated in connection with the consummation of the Reorganization. This agreement will terminate in accordance with its terms on November 1, 2015 and may be terminated prior to that time by a vote of the Board of Directors of the Combined Fund. The Adviser is not required to seek reimbursement of its costs for providing administrative services and may choose not to do so.

The contractual management fee rate of the Combined Fund will be 1.00%, which is equal to the current contractual management fee rates of each of ARMF and ARDC. Each Fund calculates its management fee on the basis of the Fund's Managed Assets (as defined in each Fund's advisory agreement). If a Fund uses leverage, the amount of fees paid to the Adviser for investment management services is higher than if the Fund does not use leverage because the fees paid are calculated on the Fund's Managed Assets, which include assets purchased with leverage. For the fiscal year ended October 31, 2014, the effective management fee rates were 1.36% and 1.41% for ARMF and ARDC, respectively. Based on the October 31, 2014 fiscal year end financial statements for each Fund, the *pro forma* effective management fee rate for the Combined Fund would be expected to be 1.39% of the Combined Fund's average daily net assets.

ARMF, however, commenced operations in October 2013. As a result, it was neither fully invested nor using anticipated amounts of leverage during a portion of the fiscal year ending October 31, 2014. If each of ARMF and ARDC is assumed to have leveraged its portfolio by approximately 29%, the effective management fee rate for each of ARMF, ARDC and the Combined Fund is expected to be 1.41% of each Fund's average daily net assets.

The Funds will bear expenses incurred in connection with the Reorganization, including, but not limited to, costs related to the preparation and distribution of materials distributed to each Fund's Board, expenses incurred in connection with the preparation of the Reorganization Agreement and the registration statement on Form N-14, the printing and distribution of this Joint Proxy Statement/Prospectus and any other materials required to be distributed to stockholders, the SEC and state securities commission filing fees and legal and audit fees in connection with the Reorganization, including legal fees incurred preparing each Fund's Board materials, attending each Fund's Board meetings and preparing the minutes, and auditing fees associated with each Fund's financial statements, stock exchange fees, transfer agency fees, portfolio transfer taxes (if any) and any similar expenses incurred in connection with the Reorganization, which will be borne directly by the respective Fund incurring the expense or allocated among the Funds proportionately or on another reasonable basis, as appropriate. Because the Funds have already incurred expenses solely and directly attributable to the Reorganization and because the Funds (and not the Adviser) are responsible for paying those expenses, if either Fund's respective stockholders do not approve the Reorganization, the Funds will continue to be responsible for the expenses arising from the proposed Reorganization even though the proposed Reorganization will not occur, and those expenses may be material.

Neither the Funds nor the Adviser will pay any expenses of stockholders arising out of or in connection with the Reorganization or other matters to be voted on (e.g., expenses incurred by the stockholder as a result of attending the stockholder meeting, voting on the proposals or other action taken by the stockholder in connection with the proposals).

Earnings and Distribution Yield.

The Combined Fund's earnings and distribution yield on NAV are expected to be comparable (i.e., the same or slightly lower or higher) when compared with that of each Fund prior to the Reorganization. However, the Combined Fund's earnings and distribution yield on NAV may change over time, and depending on market conditions, may be significantly higher or lower than each Fund's earnings and distribution yield prior to the Reorganization.

A Fund's earnings and net investment income are variables, which depend on many factors, including its asset mix, portfolio turnover level, the amount of leverage utilized by the Fund, the costs of such leverage, the movement of interest rates and general market conditions. There can be no assurance that the future earnings of a Fund, including the Combined Fund after the Reorganization, will remain constant.

Premium/Discount to NAV.

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

The common shares of each Fund have typically traded at a discount and to NAV. As of June 10, 2015, each Fund traded at a discount to its respective NAV. To the extent that the Target Fund is trading at a wider discount (or a narrower premium) than the Acquiring Fund at the time of the Reorganization, the Target Fund's stockholders would have the potential for an economic benefit. To the extent that the Target Fund is trading at a narrower discount (or wider premium) than the Acquiring Fund at the time of the Reorganization, the Target Fund's stockholders may be negatively impacted if the Reorganization is consummated. The Acquiring Fund's stockholders would only benefit from a discount perspective to the extent the post-Reorganization discount (or premium) improves.

There can be no assurance that, after the Reorganization, common shares of the Combined Fund will trade at, above or below NAV. Upon consummation of the Reorganization, the Acquiring Fund Shares may trade at a price that is less than the Acquiring Fund's current trading market price. The market value of the common shares of the Combined Fund may be less than the market value of the common shares of your Fund prior to the Reorganization.

Tax Considerations.

See "Material Federal Income Tax Consequences of the Reorganization" for a summary of certain U.S. federal income tax consequences of the Reorganization.

Principal Risks of Investing in the Acquiring Fund

An investment in the common shares of the Acquiring Fund may be speculative in that it involves a high degree of risk and should not constitute a complete investment program. Before making an investment decision, you should carefully consider the following risk factors, together with the other information contained in this Joint Proxy Statement/Prospectus. At any point in time, an investment in the common shares may be worth less than the original amount invested, even after taking into account the distributions paid, if any, and the ability of common stockholders to reinvest dividends. If any of the risks discussed in this Joint Proxy Statement/Prospectus occurs, the Acquiring Fund's results of operations could be materially and adversely affected. If this were to happen, the price of the common shares could decline significantly and you could lose all or a part of your investment.

General.

Investing in the common shares involves certain risks and the Acquiring Fund may not be able to achieve its intended results for a variety of reasons, including, among others, the possibility that the Acquiring Fund may not be able to structure its investments as anticipated. Because the value of your investment in the Acquiring Fund will fluctuate, there is a risk that you will lose money. Your investment will decline in value if, among other things, the value of the Acquiring Fund's investments decreases. The value of your common shares also will be affected by the Acquiring Fund's ability to successfully implement its investment strategy, as well as by market, economic and other conditions. As with any security, complete loss of your investment is possible.

Investment and Market Risk.

An investment in the common shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the common shares represents an indirect investment in the portfolio of Senior Loans, Corporate Bonds, CLO Securities and other securities and loans owned by the Acquiring Fund, and the value of these securities and loans may fluctuate, sometimes rapidly and unpredictably. For instance, during periods of global economic downturn, the secondary markets for Senior Loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and Corporate Bonds can experience sudden and sharp price swings, which can be exacerbated by large or sustained sales by major investors in these markets, a high-profile default by a major Borrower (as defined below), movements in indices tied to these markets or related securities or investments, or a change in the market's perception of Senior Loans and investments with similar economic characteristics (such as second lien loans and unsecured loans) and Corporate Bonds. At any point in time, an investment in the common shares may be worth less than the original amount invested, even after taking into account distributions paid by the Acquiring Fund, if any, and the ability of common stockholders to reinvest dividends. The Acquiring Fund anticipates using leverage, which will magnify the Acquiring Fund's risks and, in turn, the risks to the common stockholders. Use of leverage is subject to the risks described below under "Leverage Risk."

Senior Loans Risk.

The Senior Loans in which the Acquiring Fund invests will primarily be rated below investment grade, but may also be unrated and of comparable credit quality. As a result, although Senior Loans are senior and typically secured in a first or second lien position in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured, the risks associated with such Senior Loans are generally similar to the risks of other below investment grade fixed income instruments. See "Below Investment Grade Rating Risk." Investments in below investment grade Senior Loans are considered speculative because of the credit risk of the issuers of debt instruments (each, a "Borrower"). Such Borrowers are more likely than investment grade Borrowers to default on their payments of interest and principal owed to the Acquiring Fund, and such defaults could reduce the net asset value of the common shares and income distributions. An economic downturn would generally lead to a higher non-payment rate, and a Senior Loan may lose significant market value before a default occurs. Moreover, any specific collateral used to secure a Senior Loan may decline in value or become illiquid, which would adversely affect the Senior Loan's value. Senior Loans are subject to a number of risks described elsewhere in this Joint Proxy Statement/Prospectus, including non-payment of principal, liquidity risk and the risk of investing in below investment grade fixed income instruments.

Senior Loans are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to the Acquiring Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the common shares. There can be no assurance that the liquidation of any collateral securing a Senior Loan would satisfy the Borrower's obligation in the event of non-payment of scheduled interest or principal payments, whether when due or upon acceleration, or that the collateral could be liquidated, readily or otherwise. In the event of bankruptcy or insolvency of a Borrower, the Acquiring Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral, if any, securing a Senior Loan. The collateral securing a Senior Loan, if any, may lose all or substantially all of its value in the event of the bankruptcy or insolvency of a Borrower. Some Senior Loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate such Senior Loans to presently existing or future indebtedness of the Borrower or take other action detrimental to the holders of Senior Loans including, in certain circumstances, invalidating such Senior Loans or causing interest previously paid to be refunded to the Borrower. Additionally, a Senior Loan may be "primed" in bankruptcy, which reduces the ability of the holders of the Senior Loan to recover on the collateral. Priming takes place when a debtor in bankruptcy is allowed to incur additional indebtedness by the bankruptcy court and such indebtedness has a senior or pari passu lien with the debtor's existing secured indebtedness, such as existing Senior Loans or secured Corporate Bonds.

There may be less readily available information about most Senior Loans and the Borrowers thereunder than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act or registered under the Exchange Act, and Borrowers subject to the periodic reporting requirements of Section 13 of the Exchange Act. Senior Loans may be issued by companies that are not subject to SEC reporting requirements and these companies, therefore, do not file reports with the SEC that must comply with SEC form requirements and in addition are subject to a less stringent liability disclosure regime than companies subject to SEC reporting requirements. As a result, the Adviser will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent sources. Therefore, the Acquiring Fund will be particularly dependent on the analytical abilities of the Adviser.

The secondary trading market for Senior Loans may be less liquid than the secondary trading market for registered investment grade debt securities. No active trading market may exist for certain Senior Loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Acquiring Fund may not be able to sell Senior Loans quickly or at a fair price. To the extent that a secondary market does exist for certain Senior Loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

Senior Loans and other variable rate debt instruments are subject to the risk of payment defaults of scheduled interest or principal. Such payment defaults would result in a reduction of income to the Acquiring Fund, a reduction in the value of the investment and a potential decrease in the net asset value of the common shares. Similarly, a sudden and significant increase in market interest rates may increase the risk of payment defaults and cause a decline in the value of these investments and in the net asset value of the common shares. Other factors (including, but not limited to, rating downgrades, credit deterioration, a large downward movement in stock prices, a disparity in supply and demand of certain securities or market conditions that reduce liquidity) can reduce the value of Senior Loans and other debt obligations, impairing the net asset value of the common shares.

Senior Loans are subject to legislative risk. If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Acquiring Fund may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain Borrowers. This would increase the risk of default. If legislation or federal or state regulations require financial institutions to increase their capital requirements, this may cause financial institutions to dispose of Senior Loans that are considered highly levered transactions. Such sales could result in prices that, in the opinion of the Adviser, do not represent fair value. If the Acquiring Fund attempts to sell a Senior Loan at a time when a financial institution is engaging in such a sale, the price the Acquiring Fund could receive for the Senior Loan may be adversely affected.

The Acquiring Fund expects to acquire Senior Loans primarily through assignments and, to a lesser extent, through participations. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser's rights can be more restricted than those of the assigning institution, and the Acquiring Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. In general, a participation is a contractual relationship only with the institution participating out the interest, not with the Borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, the Acquiring Fund generally will have no right to enforce compliance by the Borrower with the terms of the loan agreement against the Borrower, and the Acquiring Fund may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Acquiring Fund will be exposed to the credit risk of both the Borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, the Acquiring Fund may be more limited than it otherwise would be in its ability to conduct due diligence on the Borrower. In addition, as a holder of the participations, the Acquiring Fund may not have voting rights or inspection rights that the Acquiring Fund would otherwise have if it were investing directly in the Senior Loan, which may result in the Acquiring Fund being exposed to greater credit or fraud risk with respect to the Borrower or the Senior Loan.

Subordinated Loans Risk.

Subordinated loans ("Subordinated Loans") generally are subject to similar risks as those associated with investments in Senior Loans, except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. In the event of default on a Subordinated Loan, the first priority lien holder has first claim to the underlying collateral of the loan to the extent such claim is secured. Additionally, an oversecured creditor may be entitled to additional interest and other charges in bankruptcy increasing the amount of their allowed claim. Subordinated Loans are subject to the additional risk that the cash flow of the Borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior obligations of the Borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Subordinated Loans generally have greater price volatility than Senior Loans and may be less liquid.

Corporate Bond Risk.

The market value of a Corporate Bond generally may be expected to rise and fall inversely with interest rates. The market value of intermediate- and longer-term Corporate Bonds is generally more sensitive to changes in interest rates than is the market value of shorter-term Corporate Bonds. The market value of a Corporate Bond also may be affected by factors directly related to the Borrower, such as investors' perceptions of the creditworthiness of the Borrower, the Borrower's financial performance, perceptions of the Borrower in the market place, performance of management of the Borrower, the Borrower's capital structure and use of financial leverage and demand for the Borrower's goods and services. Certain risks associated with investments in Corporate Bonds are described elsewhere in this Joint Proxy Statement/Prospectus in further detail, including under "Credit Risk," "Prepayment Risk" and "Inflation/Deflation Risk." There is a risk that the Borrowers of Corporate Bonds may not be able to meet their obligations on interest or principal payments at the time called for by an instrument. High yield Corporate Bonds are often high risk and have speculative characteristics. High yield Corporate Bonds may be particularly susceptible to adverse Borrower-specific developments. High yield Corporate Bonds are subject to the risks described under "Below Investment Grade Rating Risk."

CLO Securities Risk.

CLOs issue securities in tranches with different payment characteristics and different credit ratings. The rated tranches of CLO Securities are generally assigned credit ratings by one or more nationally recognized statistical rating organizations. The subordinated (or residual) tranches do not receive ratings. Below investment grade tranches of CLO Securities typically experience a lower recovery, greater risk of loss or deferral or non-payment of interest than more senior tranches of the CLO.

The riskiest portion of the capital structure of a CLO is the subordinated (or residual) tranche, which bears the bulk of defaults from the loans in the CLO and serves to protect the other, more senior tranches from default in all but the most severe circumstances. Since it is partially protected from defaults, a senior tranche from a CLO typically has higher ratings and lower yields than the underlying securities, and can be rated investment grade. Despite the protection from the subordinated tranche, CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, market anticipation of defaults and aversion to CLO Securities as a class. The risks of an investment in a CLO depend largely on the collateral and the tranche of the CLO in which the Acquiring Fund invests.

The CLOs in which the Acquiring Fund invests may have issued and sold debt tranches that will rank senior to the tranches in which the Acquiring Fund invests. By their terms, such more senior tranches may entitle the holders to receive payment of interest or principal on or before the dates on which the Acquiring Fund is entitled to receive payments with respect to the tranches in which the Acquiring Fund invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a CLO, holders of more senior tranches would typically be entitled to receive payment in full before the Acquiring Fund receives any distribution. After repaying such senior creditors, such CLO may not have any remaining assets to use for repaying its obligation to the Acquiring Fund. In the case of tranches ranking equally with the tranches in which the Acquiring Fund invests, the Acquiring Fund would have to share on an equal basis any distributions with other creditors holding such securities in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant CLO. Therefore, the Acquiring Fund may not receive back the full amount of its investment in a CLO.

The transaction documents relating to the issuance of CLO Securities may impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's investment manager to trade investments and impose certain portfolio-wide asset quality requirements. These criteria, restrictions and requirements may limit the ability of the CLO's investment manager to maximize returns on the CLO Securities. In addition, other parties involved in CLOs, such as third-party credit enhancers and investors in the rated tranches, may impose requirements that have an adverse effect on the returns of the various tranches of CLO Securities. Furthermore, CLO Securities issuance transaction documents generally contain provisions that, in the event that certain tests are not met (generally interest coverage and over-collateralization tests at varying levels in the capital structure), proceeds that would otherwise be distributed to holders of a junior tranche must be diverted to pay down the senior tranches until such tests are satisfied. Failure (or increased likelihood of failure) of a CLO to make timely payments on a particular tranche will have an adverse effect on the liquidity and market value of such tranche.

Payments to holders of CLO Securities may be subject to deferral. If cash flows generated by the underlying assets are insufficient to make all current and, if applicable, deferred payments on CLO Securities, no other assets will be available for payment of the deficiency and, following realization of the underlying assets, the obligations of the borrower of the related CLO Securities to pay such deficiency will be extinguished.

The market value of CLO Securities may be affected by, among other things, changes in the market value of the underlying assets held by the CLO, changes in the distributions on the underlying assets, defaults and recoveries on the underlying assets, capital gains and losses on the underlying assets, prepayments on underlying assets and the availability, prices and interest rate of underlying assets. Furthermore, the leveraged nature of each subordinated class may magnify the adverse impact on such class of changes in the value of the assets, changes in the distributions on the assets, defaults and recoveries on the assets, capital gains and losses on the assets, prepayment on assets and availability, price and interest rates of assets. Finally, CLO Securities are limited recourse and may not be paid in full and may be subject to up to 100% loss.

Asset-Backed Securities Risk.

Asset-backed securities often involve risks that are different from or more acute than risks associated with other types of debt instruments. For instance, asset-backed securities may be particularly sensitive to changes in prevailing interest rates. In addition, the underlying assets are subject to prepayments that shorten the securities' weighted average maturity and may lower their return. Asset-backed securities are also subject to risks associated with their structure and the nature of the assets underlying the security and the servicing of those assets. Payment of interest and repayment of principal on asset-backed securities is largely dependent upon the cash flows generated by the assets backing the securities and, in certain cases, supported by letters of credit, surety bonds or other credit enhancements. The values of asset-backed securities may be substantially dependent on the servicing of the underlying asset pools, and are therefore subject to risks associated with the negligence by, or defalcation of, their servicers. Furthermore, debtors may be entitled to the protection of a number of state and federal consumer credit laws with respect to the assets underlying these securities, which may give the debtor the right to avoid or reduce payment. In addition, due to their often complicated structures, various asset-backed securities may be difficult to value and may constitute illiquid investments. If many borrowers on the underlying loans default, losses could exceed the credit enhancement level and result in losses to investors in asset-backed securities.

Below Investment Grade Rating Risk.

Debt instruments that are rated below investment grade are often referred to as "high yield" securities or "junk bonds." Below investment grade Senior Loans, high yield securities and other similar instruments are rated "Ba1" or lower by Moody's, "BB+" or lower by S&P or "BB+" or lower by Fitch or, if unrated, are judged by the Adviser to be of comparable credit quality. While generally providing greater income and opportunity for gain, below investment grade Corporate Bonds and Senior Loans and similar debt instruments may be subject to greater risks than securities or instruments that have higher credit ratings, including a higher risk of default. The credit rating of a Corporate Bond and Senior Loan that is rated below investment grade does not necessarily address its market value risk, and ratings may from time to time change, positively or negatively, to reflect developments regarding the Borrower's financial condition. Below investment grade Corporate Bonds and Senior Loans and similar instruments often are considered to be speculative with respect to the capacity of the Borrower to timely repay principal and pay interest or dividends in accordance with the terms of the obligation and may have more credit risk than higher rated securities. Lower grade securities and similar debt instruments may be particularly susceptible to economic downturns. It is likely that a prolonged or deepening economic recession could adversely affect the ability of some Borrowers issuing such Corporate Bonds, Senior Loans and similar debt instruments to repay principal and pay interest on the instrument, increase the incidence of default and severely disrupt the market value of the securities and similar debt instruments.

The secondary market for below investment grade Corporate Bonds and Senior Loans and similar instruments may be less liquid than that for higher rated instruments. Because unrated securities may not have an active trading market or may be difficult to value, the Acquiring Fund might have difficulty selling them promptly at an acceptable price. To the extent that the Acquiring Fund invests in unrated securities, the Acquiring Fund's ability to achieve its investment objectives will be more dependent on the Adviser's credit analysis than would be the case when the Acquiring Fund invests in rated securities.

Under normal market conditions, the Acquiring Fund will invest in Senior Loans and Corporate Bonds, and may invest in Subordinated Loans and other debt instruments, including securities of Stressed Issuers, rated in the lower rating categories ("Caa1" or lower by Moody's, "CCC+" or lower by S&P or CCC+ or lower by Fitch) or unrated and of comparable quality. For these securities, the risks associated with below investment grade instruments are more pronounced. The Acquiring Fund may incur additional expenses to the extent it is required to seek recovery upon a default in the payment of principal or interest on its portfolio holdings. In any reorganization or liquidation proceeding relating to an investment, the Acquiring Fund may lose its entire investment or may be required to accept cash or securities with a value substantially less than its original investment. See "Special Situations and Stressed Investments Risk."

Special Situations and Stressed Investments Risk.

Although investments in debt and equity securities and other obligations of Stressed Issuers (as defined below) ("Special Situation Investments") may result in significant returns for the Acquiring Fund, they are speculative and involve a substantial degree of risk. The level of analytical sophistication, both financial and legal, necessary for successful investment in distressed assets is unusually high. Therefore, the Acquiring Fund will be particularly dependent on the analytical abilities of the Adviser. In any reorganization or liquidation proceeding relating to a company in which the Acquiring Fund invests, the Acquiring Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Acquiring Fund's original investment and/or may be required to accept payment over an extended period of time. Among the risks inherent in investments in a troubled company is that it may be difficult to obtain information as to the true financial condition of such company. Troubled company investments and other distressed asset-based investments require active monitoring.

The Acquiring Fund may make investments in a company that may be in some level of financial or business distress, including companies involved in, or that have recently completed, bankruptcy or other reorganization and liquidation proceedings (each, a "Stressed Issuer"), when the Adviser believes it is reasonably likely that the Stressed Issuer will make an exchange offer or will be the subject of a plan of reorganization pursuant to which the Acquiring Fund will receive new securities in return for a Special Situation Investment. There can be no assurance, however, that such an exchange offer will be made or that such a plan of reorganization will be adopted. In addition, a significant period of time may pass between the time at which the Acquiring Fund makes its investment in the Special Situation Investment and the time that any such exchange offer or plan of reorganization is completed, if at all. During this period, it is unlikely that the Acquiring Fund would receive any interest payments on the Special Situation Investment, the Acquiring Fund would be subject to significant uncertainty whether the exchange offer or plan of reorganization will be completed and the Acquiring Fund may be required to bear certain extraordinary expenses to protect and recover its investment. Therefore, to the extent the Acquiring Fund seeks capital appreciation through investment in Special Situation Investments, the Acquiring Fund's ability to achieve current income for its stockholders may be diminished. The Acquiring Fund also will be subject to significant uncertainty as to when, in what manner and for what value the obligations evidenced by Special Situation Investments will eventually be satisfied (e.g., through a liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the Special Situation Investments or a payment of some amount in satisfaction of the obligation). Even if an exchange offer is made or plan of reorganization is adopted with respect to Special Situation Investments held by the Acquiring Fund, there can be no assurance that the securities or other assets received by the Acquiring Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made or even no value. Moreover, any securities received by the Acquiring Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. Similarly, if the Acquiring Fund participates in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Special Situation Investments, the Acquiring Fund may be restricted from disposing of such securities. To the extent that the Acquiring Fund becomes involved in such proceedings, the Acquiring Fund may have a more active participation in the affairs of the issuer than that assumed generally by an investor.

Credit Risk.

Credit risk is the risk that one or more loans or debt securities in the Acquiring Fund's portfolio will decline in price or fail to pay interest or principal when due because one or more Borrowers experiences an actual or perceived decline in its condition, financial or otherwise, or in its prospects. While a senior position in the capital structure of a Borrower may provide some protection with respect to the Acquiring Fund's investments in Senior Loans, losses may still occur because the market value of Senior Loans is affected by the creditworthiness of Borrowers and by general economic and specific industry conditions. To the extent the Acquiring Fund invests in below investment grade Corporate Bonds, Senior Loans or other investments, it will be exposed to a greater amount of credit risk than a fund that invests in investment grade securities or loans. Typically, the prices of lower grade securities or loans are more sensitive to negative developments, such as a decline in the Borrower's revenues or a general economic downturn, than are the prices of higher grade securities or loans.

Prepayment Risk.

During periods of declining interest rates, Borrowers may exercise their option to prepay principal earlier than scheduled. For Corporate Bonds, such payments often occur during periods of declining interest rates, which may require the Acquiring Fund to reinvest in lower yielding securities, resulting in a possible decline in the Acquiring Fund's income and distributions to the Acquiring Fund's stockholders. This is known as prepayment or "call" risk. Below investment grade Corporate Bonds frequently have call features that allow the issuer to redeem the security at dates prior to its stated maturity at a specified price (typically greater than the stated principal amount) only if certain prescribed conditions are met ("Call Protection"). A Borrower may redeem Corporate Bonds if, for example, the Borrower can refinance the debt at a lower cost due to declining interest rates or an improvement in the credit standing of the Borrower. Fixed income securities may be purchased at prices below or above their stated principal amount. For premium Corporate Bonds (Corporate Bonds acquired at prices that exceed their stated principal amount), prepayment risk may be increased given that the Acquiring Fund would lose the potential value of the yield-to-maturity of the bonds in the event they are redeemed at the stated principal amount.

Senior Loans and Subordinated Loans are subject to prepayment risk and typically do not have Call Protection. The degree to which Borrowers prepay Senior Loans and Subordinated Loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the financial condition of the Borrower and competitive conditions among Senior Loan and Subordinated Loan investors, among others. For these reasons, prepayments cannot be predicted with accuracy. Upon a prepayment, either in part or in full, the outstanding debt from which the Acquiring Fund derives interest income will be reduced. The Acquiring Fund may not be able to reinvest the proceeds received on terms as favorable as the prepaid loan.

Interest Rate Risk.

The market value of Corporate Bonds and other fixed-income securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other fixed-income securities will increase as interest rates fall and decrease as rates rise. Accordingly, an increase in market interest rates (which are currently considered low by historic standards) may cause a decrease in the price of a debt security and, therefore, a decline in the net asset value of the Acquiring Fund's common shares. The magnitude of these fluctuations in the market price of bonds and other fixed-income securities is generally greater for those securities with longer maturities. Because Senior Loans with floating or variable rates reset their interest rates only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause some fluctuations in the net asset value of the Acquiring Fund's common shares. In addition, Senior Loans or similar loans or securities may allow the Borrower to opt between LIBOR-based interest rates

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and interest rates based on bank prime rates, which may have an effect on the net asset value of the Acquiring Fund's common shares.

Liquidity Risk.

The Acquiring Fund may not be able to readily dispose of illiquid securities or loans at prices that approximate those at which the Acquiring Fund could sell the securities or loans if they were more widely traded and, as a result of that illiquidity, the Acquiring Fund may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. Limited liquidity can also affect the market price of securities, thereby adversely affecting the net asset value of the common shares and ability to make dividend distributions.

Some Senior Loans are not readily marketable and may be subject to restrictions on resale. Senior Loans generally are not listed on any national securities exchange and no active trading market may exist for the Senior Loans in which the Acquiring Fund may invest. When a secondary market exists, if at all, the market for some Senior Loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Further, the lack of an established secondary market for illiquid securities may make it more difficult to value such securities, which may negatively affect the price the Acquiring Fund would receive upon disposition of such securities. The Adviser's judgment may play a greater role in the valuation process. See "Valuation Risk."

Reinvestment Risk.

Reinvestment risk is the risk that income from the Acquiring Fund's portfolio will decline if the Acquiring Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Acquiring Fund portfolio's current earnings rate.

Duration and Maturity Risk.

The Acquiring Fund has no fixed policy regarding portfolio maturity or duration. Holding long duration and long maturity investments will expose the Acquiring Fund to certain magnified risks.

Inflation/Deflation Risk.

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

Structured Products Risk.

General. Structured products include, without limitation, CLO Securities and structured notes. Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to counterparty risk. The risks associated with investments in CLO Securities are described above under "CLO Securities Risk."

The Acquiring Fund may have the right to receive payments only from the structured product, and generally does not have direct rights against the issuer or the entity that sold the assets to be securitized. While certain

structured products enable the investor to acquire interests in a pool of securities without the brokerage and other expenses associated with directly holding the same assets, investors in structured products generally pay their share of the structured product's administrative and other expenses. Although it is difficult to predict whether the prices of indices and securities underlying structured products will rise or fall, these prices (and, therefore, the prices of structured products) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. If the issuer of a structured product uses shorter-term financing to purchase longer term securities, the issuer may be forced to sell its securities at below market prices if it experiences difficulty in obtaining short-term financing, which may adversely affect the value of the structured products owned by the Acquiring Fund.

Investments in structured products involve risks, including credit risk and market risk. Certain structured products may be thinly traded or have a limited trading market. Where the Acquiring Fund's investments in structured products are based upon the movement of one or more factors, including currency exchange rates, interest rates, reference bonds (or loans) and stock indices, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of any factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on a structured product to be reduced to zero, and any further changes in the reference instrument may then reduce the principal amount payable on maturity of the structured product. Structured products may be less liquid than other types of securities and more volatile than the reference instrument or security underlying the product.

The Acquiring Fund may invest in structured products collateralized by below investment grade or distressed loans or securities. Investments in such structured products are subject to the risks associated with below investment grade securities, described above under "Below Investment Grade Rating Risk." Such securities are characterized by high risk. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities.

Structured Notes Risk. Investments in structured notes involve risks, including credit risk and market risk. Where the Acquiring Fund's investments in structured notes are based upon the movement of one or more factors, including currency exchange rates, interest rates, referenced bonds and stock indices, depending on the factor used and the use of multipliers or deflators, changes in interest rates and movement of the factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on the structured note to be reduced to zero, and any further changes in the reference instrument may then reduce the principal amount payable on maturity. Structured notes may be less liquid than other types of securities and more volatile than the reference instrument or security underlying the note.

Derivatives Risks.

General Risks Associated with Derivatives. The Acquiring Fund may use derivatives including, in particular, swaps (including, total return swaps), synthetic CLOs, reverse repurchase agreements and other similar transactions, in seeking to achieve its investment objective or for other reasons, such as cash management, financing activities or to hedge its positions. Accordingly, derivatives may be used as a form of leverage or to seek to enhance returns, including speculation on changes in credit spreads, interest rates or other characteristics of the market, individual securities or groups of securities. If the Acquiring Fund invests in a derivative for speculative purposes, the Acquiring Fund will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the derivative's cost. The use of derivatives may involve substantial leverage. The use of derivatives may subject the Acquiring Fund to various risks, including, but not limited to, the following:

- **Counterparty Risk.** The risk that the counterparty in a derivative transaction will be unable to honor its financial obligation to the Acquiring Fund, or the risk that the reference entity in a credit default swap or

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similar derivative will not be able to honor its financial obligations. Certain participants in the derivatives market, including larger financial institutions, have experienced significant financial hardship and deteriorating credit conditions. If the Acquiring Fund's counterparty to a derivative transaction experiences a loss of capital, or is perceived to lack adequate capital or access to capital, it may experience margin calls or other regulatory requirements to increase equity. Under such circumstances, the risk that a counterparty will be unable to honor its obligations may increase substantially. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract, the Acquiring Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Acquiring Fund may obtain only a limited recovery or may obtain no recovery in such circumstances.

• **Currency Risk.** The risk that changes in the exchange rate between two currencies will adversely affect the value (in U.S. dollar terms) of an investment.

• **Leverage Risk.** The risk associated with certain types of derivative strategies that relatively small market movements may result in large changes in the value of an investment. Certain investments or trading strategies that involve leverage can result in losses that greatly exceed the amount originally invested.

• **Liquidity Risk.** The risk that certain instruments may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth. This risk is heightened to the extent the Acquiring Fund engages in OTC derivative transactions. The illiquidity of OTC derivative transactions may be due to various factors, including congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators, government regulation and intervention, and technical and operational or system failures. Such illiquidity may also make it more difficult for the Acquiring Fund to ascertain the market value of derivatives.

• **Correlation Risk.** The risk that changes in the value of a derivative will not match the changes in the value of the portfolio holdings that are being hedged or of the particular market, security or loan to which the Acquiring Fund seeks exposure.

• **Index Risk.** If the derivative is linked to the performance of an index, it will be subject to the risks associated with changes in that index. If the index changes, the Acquiring Fund could receive lower interest payments or experience a reduction in the value of the derivative to below what the Acquiring Fund paid. Certain indexed securities, including inverse securities (which move in an opposite direction to the index), may create leverage, to the extent that they increase or decrease in value at a rate that is a multiple of the changes in the applicable index.

• **Regulatory Risk.** Various legislative and regulatory initiatives may impact the availability, liquidity and cost of derivatives, including potentially limiting or restricting the ability of the Acquiring Fund to use certain derivatives or certain counterparties as a part of its investment strategy, increasing the costs of using these instruments or making these instruments less effective. See "Legislation and Regulation Risk."

Furthermore, the Acquiring Fund's ability to successfully use derivatives depends on the Adviser's ability to predict pertinent securities prices, interest rates, currency exchange rates and other economic factors, which cannot be assured. Additionally, segregated liquid assets, amounts paid by the Acquiring Fund as premiums and cash or other assets held in margin accounts with respect to derivatives are not otherwise available to the Acquiring Fund for investment purposes.

Swap Agreements Risk. Swap agreements are two party contracts entered into primarily by institutional investors in OTC markets for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. Whether the Acquiring Fund's use of swap agreements will be successful in furthering its investment objective will depend on the Adviser's ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven days, some swap agreements may be considered by the Acquiring Fund to be illiquid. Moreover, the Acquiring Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Acquiring Fund may seek to reduce this risk to some extent by entering into a transaction only if the counterparty meets the Adviser's current credit standards for OTC counterparties. Swap agreements also bear the risk that the Acquiring Fund will not be able to meet its payment obligations to the counterparty. Generally, the Acquiring Fund will deposit in a segregated account or "ear mark" liquid assets permitted to be so segregated or "ear marked" by the SEC in an amount equal to or greater than the market value of the Acquiring Fund's liabilities under the swap agreement or the amount it would cost the Acquiring Fund initially to make an equivalent direct investment plus or minus any amount the Acquiring Fund is obligated to pay or is to receive under the swap agreement. Restrictions imposed by the tax rules applicable to regulated investment companies may limit the Acquiring Fund's ability to use swap agreements. In addition, the swap markets have recently become subject to extensive regulation. It is possible that such new regulations, including the adoption of any proposed regulations, could adversely affect the Acquiring Fund's ability to enter into or terminate swap agreements or to realize amounts to be received under these agreements. Swap transactions may involve substantial leverage.

Credit default swaps are often structured with significant leverage and may be considered speculative. The credit default swap agreement or similar instrument may have as reference obligations one or more securities that are not currently held by the Acquiring Fund. The protection "buyer" in a credit default contract may be obligated to pay the protection "seller" an upfront payment or a periodic stream of payments over the term of the contract provided generally that no credit event on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the "par value" (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the reference entity described in the swap, if the swap is physically settled. If the swap is cash settled, an auction process is used to determine the "recovery value" of the contract, and the seller may be required to deliver the related net cash amount. The Acquiring Fund may be either the buyer or seller in the transaction. If the Acquiring Fund is a buyer and no credit event occurs, the Acquiring Fund recovers nothing if the swap is held through its termination date. However, if a credit event occurs and the credit default contract is required to physically settle, the Acquiring Fund may elect to receive the full notional value of the swap in exchange for an equal face amount of deliverable obligations of the reference entity that may have little or no value. If the credit default contract is required to cash settle, the Acquiring Fund may elect to receive a cash amount equal to the "par value" (full notional value) of the swap contract minus the "recovery value" as determined by the auction process. As a seller, the Acquiring Fund generally receives an upfront payment or a fixed rate of income throughout the term of the swap, which typically is between six months and three years, provided that there is no credit event. If a credit event occurs and the credit default contract is required to physically settle, generally the seller must pay the buyer the full notional value of the swap in exchange for an equal face amount of deliverable obligations of the reference entity that may have little or no value. If the credit default contract is required to cash settle, the Acquiring Fund will be generally obligated to pay the buyer the "par value" (full notional value) of the swap contract minus the "recovery value" as determined by the auction process. With respect to credit default contracts whereby the Acquiring Fund is a "buyer" of credit protection and that are contractually required to cash settle, the Acquiring Fund sets aside liquid assets in an amount equal to the Acquiring Fund's daily marked-to-market net obligations under the contracts. For credit default contracts whereby the Acquiring Fund is a "buyer" of credit protection and that are contractually required to physically settle, or for credit default contracts whereby the Acquiring Fund is deemed to be a "seller" of credit protection, the Acquiring Fund sets aside the full notional value of such contracts.

Swaptions Risk. The Acquiring Fund, to the extent permitted under applicable law, may enter into "swaptions," which are options on swap agreements on either an asset-based or liability-based basis. A swaption is a contract that gives a counterparty the right (but not the obligation) to enter into a new swap agreement or to shorten, extend, cancel or otherwise modify an existing swap agreement, at some designated future time on specified terms. The Acquiring Fund may write (sell) and purchase put and call swaptions. Depending on the terms of the particular option agreement, the Acquiring Fund generally will incur a greater degree of risk when it writes a swaption than it will incur when it purchases a swaption. When the Acquiring Fund purchases a swaption, it risks losing only the amount of the premium it has paid should it decide to let the option expire unexercised. When the Acquiring Fund writes a swaption, upon exercise of the option, the Acquiring Fund will become obligated according to the terms of the underlying agreement and may incur a loss, which may be substantial.

Credit-Linked Securities Risk. Credit-linked securities are issued by a limited purpose trust or other vehicle that, in turn, invests in a derivative or basket of derivatives, such as credit default swaps, interest rate swaps and other securities, in order to provide exposure to certain fixed income markets. For instance, the Acquiring Fund may invest in credit-linked securities as a cash management tool in order to gain exposure to a certain market and/or to remain fully invested when more traditional income producing securities are not available.

Like an investment in a bond, investments in these credit-linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. However, these payments are conditioned on the issuer's receipt of payments from, and the issuer's potential obligations to, the counterparties to the derivatives and other securities in which the issuer invests. For instance, the issuer may sell one or more credit default swaps, under which the issuer would receive a stream of payments over the term of the swap agreements provided that no event of default has occurred with respect to the referenced debt obligation upon which the swap is based. If a default occurs, the stream of payments may stop and the issuer would be obligated to pay the counterparty the par (or other agreed upon value) of the referenced debt obligation. This, in turn, would reduce the amount of income and principal that the Acquiring Fund would receive. The Acquiring Fund's investments in these instruments are indirectly subject to the risks associated with derivatives, including, among others, credit risk and leverage risk. There may be no established trading market for these securities and they may constitute illiquid investments.

Other Risks Relating to Acquiring Fund Investments

Risks Associated with Investments in Equity Securities Incidental to Investments in Senior Loans.

Investments in equity securities incidental to investments in Senior Loans or other debt instruments entail certain risks in addition to those associated with investments in Senior Loans or o