PROSPECTUS

6,300,000 Shares

Principal Real Estate Income Fund

Common Shares of Beneficial Interest

Principal Real Estate Income Fund (the "Fund") is a newly organized, non-diversified, closed-end management investment company.

Investment Objective. The Fund's investment objective is to seek to provide high current income, with capital appreciation as a secondary objective, by investing in commercial real estate-related securities. There can be no assurance that the Fund will achieve its investment objective.

Investment Strategies. Under normal market conditions, the Fund will invest at least 80% of its total assets in commercial real estate-related securities, primarily consisting of commercial mortgage backed securities ("CMBS") and other U.S. and non-U.S. real estate-related securities (primarily real estate investment trusts ("REITs") or REIT-like entities). Under normal circumstances, the Fund will invest between 40% and 70% of its total assets in CMBS and will invest between 30% and 60% in other real estate-related securities (including REITs). A CMBS is a type of mortgage-backed security that is secured by a loan (or loans) on one or more interests in commercial real estate property. REITs are pooled investment vehicles that invest in income producing real estate, real estate-related loans, or other types of real estate interests. The Fund will invest in CMBS and other real estate-related securities at new issuance and in the secondary market which the Fund's investment subadviser, Principal Real Estate Investors, LLC ("PrinREI") believes will generate attractive risk-adjusted current yields and the potential for capital appreciation for the Fund. The Fund will limit its investments in CMBS to issuers organized in the United States. The Fund will invest in REITs and other real estate-related securities of issuers organized in a number of countries, including the United States.

The Fund may invest in both investment grade and below investment grade debt securities (i.e., "junk bonds"). As more fully described in this Prospectus, with respect to CMBS deals issued prior to 2009, the Fund may only invest in CMBS securities originally rated no lower than "A−" by Standard & Poor's Financial Services LLC ("S&P") or Fitch Ratings, Inc., ("Fitch"), or "A3" by Moody's Investors Service, Inc. ("Moody's"). In addition and also with respect to CMBS deals prior to 2009, it is expected that the Fund will invest no more than 20% of its total assets in CMBS securities originally rated lower than "AAA" by S&P or Fitch, or "Aaa" by Moody's. No investment in an individual CMBS bond may comprise 10% or more of the Fund's total assets.

The Fund's net asset value will vary and its distribution rate may vary and both may be affected by numerous factors, including changes in the market spread over a specified benchmark, market interest rates and performance of the broader equity markets. Fluctuations in net asset value may be magnified as a result of the Fund's use of leverage. An investment in the Fund may not be appropriate for all investors.

No Prior Trading History. Because the Fund is newly organized, its common shares of beneficial interest ("Common Shares") have no history of public trading. Shares of closed-end investment companies frequently trade at a discount from their net asset value and initial offering prices. The risks associated with this characteristic of closed-end investment companies may be greater for investors expecting to sell their shares in a relatively short period after completion of the initial public offering. The Fund's Common Shares have been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "PGZ."

An investment in the Fund's Common Shares involves certain risks. See "Risks" beginning on page 68 of this Prospectus.

	Per Share	Total(1)
Public offering price	$20.00	$ 126,000,000
Sales load(2)	$ 0.90	$ 5,670,000
Proceeds, after expenses, to the Fund(3)	$ 19.06	$ 120,078,000

(notes on following page)

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

The underwriters expect to deliver the Common Shares to purchasers on or about June 28, 2013.

Wells Fargo Securities UBS Investment Bank RBC Capital Markets

Oppenheimer & Co. Stifel

Comerica Securities Henley & Company LLC J.J.B. Hilliard, W.L. Lyons, LLC
Ladenburg Thalmann & Co. Inc. Pershing LLC Wunderlich Securities

The date of this Prospectus is June 25, 2013.

(notes from previous page)

(1) The Fund has granted the underwriters an option to purchase up to 940,000 additional Common Shares at the public offering price less the sales load within 45 days of the date of this Prospectus, solely to cover overallotments, if any. If this option is exercised in full, the total public offering price, sales load, and proceeds, after expenses, to the Fund, will be $144,800,000, $6,516,000, and $137,994,400, respectively. Also, the Fund has agreed to reimburse the underwriters for certain expenses relating to this offering. See "Underwriting."

(2) ALPS Advisors, Inc. ("ALPS") (and not the Fund) has agreed to pay from its own assets a structuring fee to Wells Fargo Securities, LLC, UBS Securities LLC, RBC Capital Markets, LLC, Oppenheimer & Co. Inc. and Stifel, Nicolaus & Co., Inc.

(3) ALPS has agreed to pay all organizational expenses of the Fund and to pay those offering expenses of the Fund (exclusive of sales load) that exceed $0.04 per Common Share. The actual aggregate offering expenses and the respective dollar amounts borne by the Fund and ALPS may be different. Proceeds to the Fund are calculated after expenses paid by the Fund. See "Underwriting."

Leverage. The Fund generally will seek to enhance the level of its cash distributions to holders of Common Shares ("Common Shareholders") through the use of leverage, which may include Borrowings (as defined below), the issuance of preferred shares, and the use of derivatives or certain investment techniques. Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings and the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets). However, based on market conditions at the time, the Fund may use such leverage in amounts that represent less than 33⅓% of the Fund's total assets. "Borrowings" are defined as: amounts received by the Fund pursuant to loans from banks or other financial institutions; amounts borrowed from banks or other parties using reverse repurchase agreements; or amounts received by the Fund from the Fund's issuance of any senior notes or similar debt securities. Other than with respect to reverse repurchase agreements, Borrowings do not include trading practices or instruments that, according to the SEC or its staff, may cause senior securities concerns.

The Board of Trustees of the Fund has the ultimate authority regarding the type of leverage used by the Fund and the extent to which leverage is employed, and makes these decisions based upon recommendations from ALPS and PrinREI. ALPS and PrinREI will generally recommend that the Fund utilize leverage to a lesser extent (or not utilize leverage at all) if they anticipate that a greater use of leverage would result in a lower return to Common Shareholders over time. There can be no assurance that the Fund will utilize leverage or, if leverage is utilized, that it will be successful in enhancing the level of the Fund's total return.

The Fund does not intend to use leverage until the proceeds of this offering are substantially invested in accordance with the Fund's investment objective. The Fund currently anticipates that it will be able to invest the net proceeds of this offering in accordance with the Fund's investment objective within 30 to 60 days after the completion of this offering, and may thereafter use leverage. The Fund currently anticipates that leverage will initially be obtained through the use of bank borrowings or other similar term loans, and/or through reverse repurchase obligations. In connection with the Fund's anticipated use of leverage, PrinREI may seek to hedge the associated interest rate risks through derivative instruments, which may include interest rate swaps, caps, floors, collars, rate forwards and interest rate futures (and options thereon). PrinREI is not required to engage in any hedging techniques, and there can be no assurance that any interest rate hedging transactions, if undertaken, will be successful, and such transactions may adversely affect the Fund's achievement of its investment objective. See "Leverage" and "Risks — Risks Related to the Fund's Use of Leverage."

Investment Adviser. ALPS will act as the Fund's investment adviser. ALPS, a wholly owned subsidiary of ALPS Holdings, Inc. ("ALPS Holdings"), commenced business operations in December 2006 upon the acquisition of an existing investment advisory operation. ALPS Holdings is a wholly owned subsidiary of DST Systems, Inc. As of March 31, 2013, ALPS managed approximately $8.96 billion in assets. ALPS's address is 1290 Broadway, Suite 1100, Denver, CO 80203.

Investment Subadviser. PrinREI will act as the Fund's investment subadviser. PrinREI was founded in 1998, and as of March 31, 2013, managed approximately $46.5 billion in commercial real estate assets. PrinREI's address is 801 Grand Avenue, Des Moines, IA 50309. PrinREI is the dedicated real estate group of Principal Global Investors, a member company and affiliate of Principal Financial Group, which is a public company listed on the NYSE under the ticker symbol PFG.

You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the Fund's Common Shares and retain it for future reference. A Statement of Additional Information, dated June 25, 2013 (the "SAI"), containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus, which means that it is part of this Prospectus for legal purposes. You may request a free copy of the SAI, the table of contents of which is on page 69 of this Prospectus, annual and semi-annual reports to shareholders, when available, and other information about the Fund, by calling 1.855.838.9485 or by writing to ALPS Advisors, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203, or visiting the Fund's website (www.principalcef.com), or obtain copies (and other information regarding the Fund) from the SEC's web site (http://www.sec.gov).

The Fund's Common Shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this Prospectus. The Fund has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different information or inconsistent information, you should not rely on it. The Fund is not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or the representations made herein are accurate only as of the date on the cover page of this Prospectus. The Fund's business, financial condition and prospects may have changed since that date. In the event of any such change that will make any statement in this Prospectus materially misleading, the Fund will modify the information included in this Prospectus through a supplement or amendment, as necessary to make such information not misleading.

PROSPECTUS SUMMARY

This is only a summary. This summary does not contain all of the information that you should consider before investing in the Fund's common shares of beneficial interest. You should review the more detailed information contained in this Prospectus and in the Statement of Additional Information, especially the information set forth under the heading "Risks."

The Fund	Principal Real Estate Income Fund (the "Fund") is a newly organized Delaware statutory trust registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). An investment in the Fund may not be appropriate for all investors. There can be no assurance that the Fund will achieve its investment objective.
The Offering	The Fund is offering 6,300,000 common shares of beneficial interest, no par value ("Common Shares"), through a group of underwriters led by Wells Fargo Securities, LLC, USB Securities LLC and RBC Capital Markets, LLC. The initial public offering price is $20.00 per Common Share. The minimum purchase in this offering is 100 Common Shares ($2,000). The underwriters have been granted an option to purchase up to 940,000 additional Common Shares to cover over-allotments. ALPS Advisors, Inc. ("ALPS") (the Fund's investment adviser) has agreed to (i) pay all organizational expenses of the Fund and (ii) pay all offering costs (other than the sales load) that exceed $0.04 per Common Share. See "Underwriting."
Investment Objective and Principal Investment Strategies	The Fund's investment objective is to seek to provide high current income, with capital appreciation as a secondary objective, by investing in commercial real estate-related securities. There can be no assurance that the Fund will achieve its investment objective. Under normal market conditions, the Fund will invest at least 80% of its total assets in commercial real estate-related securities, primarily consisting of commercial mortgage backed securities ("CMBS") and other U.S. and non-U.S. real estate-related securities (primarily real estate investment trusts ("REITs") or REIT-like entities). Under normal circumstances, the Fund will invest between 40% and 70% of its total assets in CMBS and will invest between 30% and 60% in other real estate-related securities (including REITs). A CMBS is a type of mortgage-backed security that is secured by a loan (or loans) on one or more interests in commercial real estate property. REITs are pooled investment vehicles that invest in income producing real estate, real estate-related loans, or other types of real estate interests. The Fund will invest in CMBS and other real estate-related securities at new issuance and in the secondary market which the Fund's investment subadviser, Principal Real Estate Investors, LLC ("PrinREI") believes will generate attractive risk-adjusted current yields and the potential for capital appreciation for the Fund.

The Fund will rely on PrinREI's experience in the U.S. CMBS and global real estate-related securities markets to invest in both investment grade and below investment grade CMBS as well as other U.S. and non-U.S. real estate-related securities (including REITs). PrinREI will select CMBS and other real estate-related securities which it believes are fairly or under-priced relative to current market valuations and which PrinREI believes will provide attractive risk-adjusted current yields and total returns to the Fund. PrinREI will employ its proprietary research, fundamental analysis, modeling and real estate underwriting staff to assess credit risk, determine fair value and perform bottom-up security selection. After initially investing the proceeds of the offering, technical influences on the market will be considered before transacting to determine the appropriate time to either acquire or sell investments in the manner that PrinREI believes will be most consistent with helping the Fund achieve its investment objective. Derivative instruments, including credit default swaps, interest rate swaps, caps, floors and collars, currency futures and forwards, rate forwards, and interest rate futures (and options thereon) may be used to reduce credit risk (in the case of credit default swaps), reduce interest rate risk (in the case of interest rate swaps, caps, floors, collars, rate forwards and interest rate futures), or help manage currency risk (in the case of currency forwards and futures), if PrinREI believes doing so would be beneficial to the Fund. As market conditions warrant, PrinREI may also cause the Fund to sell (i.e., write) credit default swaps in order to gain market exposure and add incremental yield to the Fund's portfolio. The Fund may also use futures on indexes or baskets of real estate-related securities to gain market exposure, if PrinREI believes doing so would be beneficial to the Fund. See "Risks — Risks Associated with Swap Transactions," "— Risks Associated with Futures Contracts," and "— Risks Associated with Forward Currency Contracts."

The Fund currently expects to write call options with the purpose of generating realized gains or reducing the Fund's ownership of certain securities. It is not currently expected that the Fund will engage in this activity during its first year of operation. The Fund will only write call options on equity securities that the Fund holds in its portfolio (i.e., covered calls) and no more than 50% of the Fund's assets attributable to equity securities will be subject to covered call options at any given time. See "Risks — Risks Associated with Covered Calls."

PrinREI will employ a dynamic asset allocation strategy in a manner consistent with the Fund's investment objective — in other words, the Fund's portfolio managers will work together to shift the Fund's overall allocation between CMBS and other real estate-related securities over time to provide an allocation that they believe will be most consistent with helping the Fund achieve its investment objective at any given time. PrinREI believes such a strategy will better position the Fund to seek to achieve the investment objective throughout a variety of potential market environments. Among other things, PrinREI believes the Fund may benefit from the recovery in commercial real estate markets by employing this investment strategy. Allocation decisions will rely upon PrinREI's top-down economic analysis and bottom-up assessment of relative value which is informed by individual investment sector experts. Longer-term strategic allocations will be determined based primarily upon PrinREI's macro outlook on the economy, real estate cycle and real estate fundamentals. In addition, shorter-term tactical allocation shifts will be considered based upon a continual assessment of market valuations, quantitative analysis, and technical indicators.

As part of the Fund's investments in CMBS, PrinREI will consider investments in conduit or single borrower transactions (including real estate mortgage investment conduits ("REMICs")), re-REMICs (i.e., a REMIC constructed of other REMIC tranches), CMBS interest-only certificates or commercial real estate collateralized debt obligations (CMBS CDOs). The Fund may purchase CMBS issued pursuant to registered offerings or offerings made in reliance on an exemption from registration under the Securities Act of 1933 (the "Securities Act"). The Fund will limit its investments in CMBS to issuers organized in the United States. The Fund does not impose limits concerning maturity or duration when investing in CMBS or other debt instruments.

As part of the Fund's investments in other real estate-related securities, PrinREI will consider investments in securities of U.S. and non-U.S. companies principally engaged in the real estate industry. For purposes of the foregoing, the Fund considers a real estate-related security to be a security issued by an issuer that has at least 50% of its assets, income or profits derived from products or services related to the real estate industry. These companies include REITs and REIT-like entities, and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies as well as those whose products and services relate to the real estate industry such as building supply manufacturers, mortgage lenders, and mortgage servicing companies. The Fund will invest in equity securities (common and preferred) and debt securities of small, medium, and large capitalization companies.

REITs are pooled investment vehicles that invest in income producing real estate, real estate related loans, or other types of real estate interests. REITs in the United States are corporations or business trusts that are permitted to eliminate corporate level federal income taxes by meeting certain requirements of the Internal Revenue Code of 1986 (the "Code"). REITs generally can be classified among the following three types: equity REITs, which invest the majority of their assets directly in real property and derive their income primarily from rents and capital gains or real estate appreciation; mortgage REITs, which invest the majority of their assets in commercial or residential real estate mortgage loans and derive their income primarily from interest payments; and hybrid REITs, which combine the characteristics of equity REITs and mortgage REITs.

Some foreign countries have adopted REIT structures that are very similar to those in the United States. Similarities include pass through tax treatment and portfolio diversification. Other countries may have REIT structures that are significantly different than the U.S. or may not have adopted a REIT-like structure at all. The Fund may invest a significant percentage of its portfolio in REITs and REIT-like entities.

The Fund has no limitation on the percentage of assets that are invested in any one country or denominated in any one currency. The Fund will typically have investments located in a number of different countries, including the United States and countries with emerging securities markets.

Up to 20% of the Fund's total assets may be invested in other instruments, including whole commercial mortgage loans and subordinated real estate-related loans, as well as stocks and other equity investments, debt obligations and money market instruments, other investment companies, and derivative instruments that are not real estate-related securities or related to real estate-related securities. Under normal market conditions, the Fund will invest no more than 10% of its total assets in whole commercial mortgage loans and subordinated real estate-related loans. This 10% limitation will not apply to investments in whole commercial mortgage loans and subordinated real estate-related loans that carry a CUSIP or are sold pursuant to Rule 144A of the Securities Act.

The Fund's net asset value will vary and its distribution rate may vary and both may be affected by numerous factors, including changes in the market spread over a specified benchmark, market interest rates and performance of the broader equity markets. Fluctuations in net asset value may be magnified as a result of the Fund's use of leverage. An investment in the Fund may not be appropriate for all investors.

In the event of exceptional market or economic conditions, the Fund may, as a temporary defensive measure, invest all or a substantial portion of its assets in cash, cash-equivalent securities or short-term debt securities. To the extent the Fund assumes a defensive position, it will not be pursuing its investment objective.

PrinREI's CMBS Investment Process. PrinREI's CMBS investment process combines fundamental analysis of the credit risks of the underlying commercial real estate loans with dynamic quantitative modeling of the CMBS transaction structure. PrinREI believes having either qualitative or quantitative capabilities, in isolation, does little to help make sound investment decisions. However, when combined, they provide what PrinREI believes to be a powerful tool for analyzing CMBS in seeking to execute a consistent process that leads to informed investment decisions. In addition, PrinREI benefits from having a fully dedicated CMBS trader and a long history of dealer relationships. These resources aid in the timely execution or implementation of investment decisions.

PrinREI's investment methodology combines extensive commercial real estate experience with a dynamic credit model to internally rate credit risk, identify relative value from a risk-adjusted perspective, assess cash flow volatility and actively manage risk through market cycles.

- Loan-level analysis is received from PrinREI's commercial real estate underwriting staff who review the majority of loans underlying each CMBS pool (based on principal balance).
    - Provides real-time feedback on property, market, competitive profile, tenant quality and overall loan underwriting, including potential stress points in loan performance.
    - Estimates the timing of potential loan defaults and magnitude of losses.
- PrinREI's proprietary CMBS model incorporates qualitative and quantitative inputs to produce distribution statistics at the individual loan and bond levels based upon approximately 2,000 probability-driven economic scenarios.
    - Model incorporates input from PrinREI's research group with respect to current and expected future market conditions in the overall economy and the commercial real estate markets.
    - Loan level views from PrinREI's underwriting staff are input into the system.
    - Additional loan portfolio performance input from rating agency and issuer feedback is embedded into the analysis.
    - Default and loss assumptions are based on internal and external research of the CMBS and commercial mortgage market, factoring in the specific loan level input received from PrinREI's underwriting staff.
    - Key outputs include modeled cumulative defaults and losses, internal credit ratings and expected yield-to-maturity, fair value and standard deviation of returns for each bond class.

- The Fund's portfolio manager responsible for this portion of the Fund's portfolio will draw final investment conclusions based upon the CMBS model outputs, CMBS market considerations (e.g. supply/demand fundamentals, market technicals, CMBS market outlook) and portfolio considerations (e.g. portfolio composition, investment objective, suitability).
- PrinREI has a team dedicated to the surveillance of existing CMBS portfolios. The surveillance process includes semi-annual or more frequent reviews of the model assumptions and samples of underlying loans, including analysis of rent rolls and property operating statements and consultation with PrinREI's real estate underwriters. The results of the surveillance process play a key role in identifying potential credit issues which may influence PrinREI's decision to hold or sell a bond.
- The portfolio manager utilizes the ongoing feedback from the surveillance team combined with model updates to help them define fair value of the assets at any given time. The portfolio manager uses this information to determine hold versus sell decisions on individual securities. PrinREI believes this ongoing surveillance also positions PrinREI with better information when bidding on bonds in the secondary market.

PrinREI's Real Estate-Related Securities Investment Process. PrinREI's real estate-related securities investment process begins with the study of opportunities by its dedicated real estate analysts. Each analyst is responsible for identifying attractive investments within his or her coverage universe. This bottom-up approach is accomplished by conducting in-depth company research along with securities valuation. The team conducts extensive fundamental research through management meetings, asset inspections and the study of financial statements and regulatory filings. Common fundamental/ qualitative factors studied across companies include:

- Review of the company's assets, including overall quality and competitive positioning.
- Review of the macroeconomic and real estate market conditions and outlook within the company's portfolio.
- Analysis of management's skill and expertise in determining and executing strategy for the company. This includes a review of management teams' history of capital allocation decisions.
- Review of the company's capital structure, including analysis of debt levels and risk/opportunities within the overall balance sheet structure.
- Analysis of the company's business strategy. An evaluation of each company's growth characteristics and relative risk profile.

- Opinion of income durability, and the volatility of cash flows over time.
- Corporate Governance (ESG). A review of the company's commitment to ESG-related factors is undertaken utilizing internal analysis and externally generated ratings.

The team also employs proprietary techniques to analyze each company's valuation. Net asset value calculations are a fundamental component in the valuation review. A standardized net asset value model is completed on each company being considered for portfolio inclusion, and updated regularly as company financial metrics are disclosed or amendments to capital market assumptions (such as capitalization rate) are required. Other valuation techniques are used both as a check on the net asset value work and for studying stocks where regional and company differences dictate alternative techniques be considered.

Security selection and portfolio construction including the determination of country and property type active weights for the global strategy is the responsibility of the Fund's portfolio manager in charge of this portion of the Fund's portfolio. He uses a team-based approach in decision-making, relying on close consultation with senior members of PrinREI's global real estate-related securities team, located in offices across the globe. Collectively, these individuals serve as the portfolio construction team. Investment analysts are responsible for providing continuous buy/sell/hold recommendations for all securities within their coverage universe. Analyst recommendations are reviewed by the portfolio construction team, typically during region-specific calls conducted weekly.

Security selection and sell actions are facilitated through the recommendations of regional team leaders. As part of the deliberation, the portfolio construction team is provided with written company research reports and valuation summaries. In determining the shape and composition of the portfolio, the portfolio construction team will also consider the following tools to varying degrees:

- Proprietary Back Tested Model: PrinREI employs a multi-factor quantitative ranking model in its investment analysis process. This tool utilizes both externally sourced and internally generated data to gauge the attractiveness of individual companies relative to one another. There are 13 separate component models utilized in our global portfolio analysis process, based on geographic region, individual country, and/or differing business models. The models look at various fundamental factors (including among other things demographic data, return on equity and net operating income growth), valuation metrics (including earning's yield and net asset value) and price momentum characteristics.

- Risk Review: PrinREI employs a series of industry standard as well as proprietary reports which gauge the likelihood of a portfolio's return differing significantly from a reference index (i.e. tracking error), the Beta of the portfolio, the index coverage ratio of the portfolio, and other risk-based metrics. PrinREI also studies the risk of individual companies within the portfolio across a number of factors including tenancy exposure, geographic concentration, balance sheet stability, cash flow volatility, and dividend sustainability.
- Attribution analysis: PrinREI studies the effect that individual stock selection and property sector allocations have on portfolio returns utilizing FactSet's P.A.2 system. It also studies the influence that other "style characteristics" have on the portfolio. For example, this analysis may indicate that a portfolio is too heavily concentrated toward large capitalization stocks (or the inverse), over-exposed to companies with above-average balance sheet debt (or the inverse), or how concentrated a portfolio is to high or low dividend yielding stocks.

The final phase of the investment process is execution of the trade idea. Regional trade desks are utilized by the portfolio construction team to help seek to achieve a high level of trade efficiency and execution.

The investment process utilized by PrinREI in managing the Fund's assets is also employed by PrinREI for other clients, and was not designed specifically for the Fund.

Investment Limitations . . . .

Investments in a Single CMBS Bond. No investment in an individual CMBS bond may comprise 10% or more of the Fund's total assets.

Credit Threshold. With respect to CMBS deals issued prior to 2009, the Fund may only invest in securities originally rated no lower than "A-" by Standard & Poor's Rating Services ("S&P") or Fitch Ratings, Inc. ("Fitch"), or "A3" by Moody's Investor Services Inc. ("Moody's"). In addition and also with respect to CMBS deals prior to 2009, it is expected that the Fund will invest no more than 20% of its total assets in CMBS securities originally rated lower than "AAA" by S&P or Fitch, or "Aaa" by Moody's.

The Fund may invest in debt securities rated below investment grade (as defined below) (i.e., "junk bonds"). Under normal market conditions, it is expected that the Fund will invest no more than 20% of its total assets in debt securities rated CCC+/Caa1 or lower (or equivalent rating). The Fund considers a security's rating to be the second-highest rating assigned by a nationally recognized statistical ratings organization ("NRSRO"), or the only rating, if rated by only one NRSRO. "Investment grade" securities are securities rated within the four highest grades based on the foregoing (e.g., rated BBB- or higher by S&P or Fitch, or Baa3 or higher by Moody's, or equivalent ratings from another NRSRO), or unrated securities that PrinREI determines to be of comparable quality.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse effect on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

These credit threshold policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security if a rating agency or PrinREI downgrades its assessment of that security. In determining whether to retain or sell a security that a rating agency has downgraded, PrinREI may consider such factors as its assessment of the credit quality of the security, the price at which the security could be sold, and the rating, if any, assigned to the security by other NRSROs.

NRSROs, such as Moody's or S&P, are private services that provide ratings of the credit quality of debt obligations. While all issuances of CMBS carry ratings at new issuance, some CMBS issuers have become selective in which NRSROs they utilize to provide such ratings and in some cases have been avoiding certain NRSROs altogether. Ratings assigned by an NRSRO are not absolute standards of credit quality but represent the opinion of the NRSRO as to the quality of the obligation. NRSROs may fail to make timely updates in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. Some CMBS issuances have been downgraded from initial ratings due to changes in rating methodology and changes in the credit quality of the underlying loans. To the extent that the issuer of a security pays an NRSRO for the analysis of its security, an inherent conflict of interest may exist that could affect the reliability of the rating. The integrity of the credit rating system has been questioned by the market. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. PrinREI independently evaluates securities and the ability of the issuers of such securities to pay interest and principal.

Limited Investments in whole commercial mortgage loans and subordinated real estate-related loans. Under normal market conditions, the Fund will invest no more than 10% of its total assets in whole commercial mortgage loans and subordinated real estate-related loans. This 10% limitation will not apply to investments in whole commercial mortgage loans and subordinated real estate-related loans that carry a CUSIP or are sold pursuant to Rule 144A of the Securities Act.

Limited Investments in Mortgage REITs. Under normal market conditions, the Fund will invest no more than 10% of its total assets in mortgage REITs.

Limitations on Investments in Principal-Related CMBS Issuances. The Fund may not purchase CMBS from any issuance with respect to which PrinREI or any of its affiliates (i) contributed loans to a CMBS pool, (ii) acts as the servicer for one or more mortgages backing the CMBS, (iii) was involved in the origination of any loan in the CMBS pool, or (iv) is or was in some other manner involved with an underlying CMBS loan, with the exception of previous servicing.

Unless otherwise noted, all investment limitations and restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time the Fund purchases a security. The status, market value, credit quality or other characteristics of securities held by the Fund may change after they are purchased, and this may cause the amount of the Fund's total assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes occur, it would not be considered a violation of the investment restriction.

Investment Adviser and Investment Subadviser . . . .

ALPS will act as the Fund's investment adviser pursuant to an advisory agreement with the Fund (the "Advisory Agreement"). ALPS, located at 1290 Broadway, Suite 1100, Denver, Colorado 80203, is registered with the Securities and Exchange Commission ("SEC") as an investment adviser. ALPS currently employs four investment professionals with more than 70 years combined industry experience managing subadvisers. As of March 31, 2013, ALPS provided supervisory and management services on approximately $8.96 billion in assets through closed-end funds, mutual funds and exchange-traded funds ("ETFs"). Pursuant to the Advisory Agreement, ALPS is responsible for, among other things, furnishing a continual investment program for the Fund in accordance with the investment objective and policies described in this Prospectus, coordinating and monitoring the investment activities of the subadviser, and managing the Fund's business affairs, each subject to the general supervision and direction of the Board of Trustees of the Fund (the "Board of Trustees").

Pursuant to the Advisory Agreement, the Fund pays ALPS a fee for the services it provides payable on a monthly basis at the annual rate of 1.05% of the Fund's average Total Managed Assets (as defined below). From time to time, ALPS may waive all or a portion of its fee. For these purposes, the term Total Managed Assets is defined as the value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (other than aggregate liabilities representing Limited Leverage, as defined below), calculated as of 4:00 p.m. Eastern time on such day or as of such other time or times as the Board of Trustees may determine in accordance with the provisions of applicable law and of the agreement and declaration of trust and bylaws of the Fund and with resolutions of the Board of Trustees as from time to time in force.

Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings (as defined below) and through the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets) (collectively, "Limited Leverage"). "Borrowings" are defined to include: amounts received by the Fund pursuant to loans from banks or other financial institutions; amounts borrowed from banks or other parties through reverse repurchase agreements; amounts received by the Fund from the Fund's issuance of any senior notes or similar debt securities. Other than with respect to reverse repurchase agreements, Borrowings do not include trading practices or instruments that, according to the SEC or its staff, may cause senior securities concerns, and are intended to include transactions that are subject to the asset coverage requirements in Section 18 of the 1940 Act for the issuance of senior securities evidencing indebtedness (e.g., bank borrowings and the Fund's issuance of any senior notes or similar securities) and senior securities in the form of stock (e.g., the Fund's issuance of preferred shares).

The initial term of the Advisory Agreement is two years, and it may be re-approved annually thereafter by the Board of Trustees or the Fund's shareholders. The Board of Trustees, shareholders of the Fund, and ALPS may each terminate the Advisory Agreement upon sixty (60) days' notice.

PrinREI will act as the Fund's investment subadviser pursuant to an investment subadvisory agreement among the Fund, ALPS and PrinREI (the "Subadvisory Agreement"). PrinREI is registered with the SEC as an investment adviser. PrinREI was founded in 1998, and as of March 31, 2013, managed approximately $46.5 billion in commercial real estate assets. PrinREI's address is 801 Grand Avenue, Des Moines, IA 50309. PrinREI is the dedicated real estate group of Principal Global Investors, a member company and affiliate of Principal Financial Group, which is a public company listed on the New York Stock Exchange ("NYSE") under the ticker symbol PFG.

Under the Subadvisory Agreement, for the services it provides to the Fund, PrinREI receives a portion of the fee paid to ALPS by the Fund. PrinREI's fee is payable on a monthly basis at the annual rate of 0.55% of the Fund's average Total Managed Assets. The Fund is not responsible for paying the subadvisory fee to PrinREI.

The initial term of the Subadvisory Agreement is two years and it may be re-approved annually thereafter by the Board of Trustees or the Fund's shareholders. The Board of Trustees, shareholders of the Fund, and ALPS may terminate the Subadvisory Agreement immediately upon notice to PrinREI, and PrinREI may terminate the Subadvisory Agreement upon sixty (60) days' notice to the Fund and ALPS.

Administrator .... ALPS Fund Services, Inc. ("AFS") is the Fund's administrator. Under an Administration, Bookkeeping and Pricing Services Agreement (the "Administration Agreement"), AFS is responsible for calculating net asset values, providing additional fund accounting and tax services, and providing fund administration and compliance-related services. AFS is entitled to receive a monthly fee at the annual rate of 0.15% of the average Total Managed Assets of the Fund. See "Summary of Fund Expenses."

Leverage .... The Fund generally will seek to enhance the level of its cash distributions to Common Shareholders through the use of leverage, which may include Borrowings (as defined above), the issuance of preferred shares, and the use of derivatives or certain investment techniques. Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings and the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets). However, based on market conditions at the time, the Fund may use such leverage in amounts that represent less than 33⅓% of the Fund's total assets.

The Board of Trustees has the ultimate authority regarding the type of leverage used by the Fund and the extent to which they are employed, and makes these decisions based upon recommendations from ALPS and PrinREI. ALPS and PrinREI will generally recommend that the Fund utilize leverage to a lesser extent (or not utilize leverage at all) if they anticipate that a greater use of leverage would result in a lower return to Common Shareholders over time. There can be no assurance that the Fund will utilize leverage or, if leverage is utilized, that it will be successful in enhancing the level of the Fund's total return. The Fund does not intend to use leverage until the proceeds of this offering are substantially invested in accordance with the Fund's investment objective. The Fund currently anticipates that it will be able to invest the net proceeds of this offering in accordance with the Fund's investment objective within 30 to 60 days after the completion of this offering, and may thereafter use leverage. The Fund currently anticipates that leverage will initially be obtained through the use of bank borrowings or other similar term loans, and/or through reverse repurchase obligations.

Notwithstanding the $33\frac{1}{3}\%$ limit discussed above, the Fund may enter into derivatives or other transactions (e.g., credit default swaps and total return swaps) that may provide leverage (other than Limited Leverage), but which are not subject to the foregoing $33\frac{1}{3}\%$ limitation, if the Fund earmarks or segregates liquid assets (or enters into offsetting positions) in accordance with applicable SEC regulations and interpretations to cover its obligations under those transactions and instruments. The Fund will not enter into any such transaction if it would result in the Fund having total leverage (i.e., Limited Leverage plus any leverage incurred through these additional transactions) in excess of 40% of the Fund's total assets. These additional transactions will not cause the Fund to pay higher advisory or administration fee rates than it would pay in the absence of such transactions, although the dollar amount of these fees payable by the Fund will increase and decrease along with increases to and decreases in the value of the Fund's total assets. In addition, these transactions will entail additional expenses (e.g., transaction costs) which will be borne by the Fund.

Use of leverage creates an opportunity for increased return for Common Shareholders, but, at the same time, creates special risks (including the likelihood of greater volatility of net asset value and market price of the Common Shares), and there can be no assurance that a leveraging strategy will be successful during any period in which it is employed. During periods in which the Fund is using leverage, the fees paid to ALPS for investment advisory services, to PrinREI for subadvisory services, and to AFS for administrative services will be higher than if the Fund did not use leverage because the fees paid will be calculated on the basis of the Fund's total assets, including proceeds from Limited Leverage.

Holders of the Fund's preferred shares, if any, will be entitled to a pre-determined dollar amount of dividends and a fixed dollar amount upon liquidation of the Fund prior to the payment of any dividends or liquidation amounts to Common Shareholders. As a result, the effect of the additional advisory fees and administrative fees attributable to the increase in total assets resulting from the issuance of preferred shares will be borne entirely by Common Shareholders through a reduction of income available for distribution to Common Shareholders and possibly a reduction in the net asset value per Common Share.

Under the requirements of the 1940 Act, the Fund, immediately after issuing any senior securities representing indebtedness, must have an "asset coverage" of at least 300% after such issuance. With respect to such issuance, asset coverage means the ratio which the value of the Fund's total assets, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of senior securities representing indebtedness issued by the Fund. The 1940 Act currently defines "senior security" as any bond, debenture, note or similar obligation or instrument constituting a security and evidencing indebtedness, and any stock of a class having priority over any other class as to distribution of assets or payment of dividends. Under the 1940 Act, the Fund may not declare any dividend or other distribution on any class of capital stock, or purchase any such capital stock, unless the Fund's aggregate indebtedness has, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 300% after declaring the amount of such dividend, distribution or purchase price, as the case may be. Under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance the value of its total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred shares plus the aggregate amount of senior securities representing indebtedness. In addition, the Fund is not permitted to declare any cash dividend or distribution on its common stock unless, at the time of such declaration, its preferred shares plus senior securities representing indebtedness has an asset coverage of at least 200%.

In connection with the Fund's anticipated use of Limited Leverage, PrinREI may seek to hedge the associated interest rate risks through derivative instruments, which may include interest rate swaps, caps, floors, collars, rate forwards and interest rate futures (and options thereon). These transactions involve investment techniques and risks different from those associated with portfolio transactions in commercial real estate-related securities. PrinREI is not required to engage in any hedging techniques, and there can be no assurance that any interest rate hedging transactions, if undertaken, will be successful, and such transactions may adversely affect the Fund's achievement of its investment objective. For additional discussion of the risks associated with these hedging transactions, see "Risks — Risks Related to the Fund's Use of Leverage."

Distributions . . . . The Fund intends to make monthly distributions to Common Shareholders out of the net investment income of the Fund, after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. The Fund may also make monthly distributions in excess of its net investment company taxable income (which term includes net short-term capital gain), in which case such excess will represent a return of capital that reduces Common Shareholders' tax basis in their shares. Because the basis reduction would increase any future gain on a disposition of the shares the tax may be deferred until each Common Shareholder sells its Common Shares. A "return of capital" represents a return of a shareholder's original investment in Common Shares, and should not be confused with a dividend from earnings and profits. The amount of net investment company taxable income available for each monthly distribution can vary depending on a number of factors, including dividends payable on the Fund's preferred shares, if any, or other costs of leverage. The Fund may also retain cash reserves if deemed appropriate by PrinREI to meet the terms of any leverage or derivatives transaction. There can be no assurance therefore, that the Fund will continue to pay regular monthly distributions, or that it will do so at a particular rate.

ALPS intends to apply to the SEC, on behalf of the Fund, for an order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder to permit the Fund, subject to certain terms and conditions, to include realized long-term capital gains as a part of its regular distributions to Common Shareholders more frequently than would otherwise be permitted by the 1940 Act (generally once per taxable year). ALPS expects that to rely on the exemptive order, the Fund will be required to comply with the terms and conditions therein, which, among other things, would require the Fund to make certain disclosures to shareholders and prospective shareholders regarding distributions, and would require the Fund's Board of Trustees to make determinations regarding the appropriateness of use of the distribution policy. Under such a distribution policy, it is possible that the Fund might distribute more than its income and net realized capital gains; therefore, distributions to shareholders may result in a return of capital. There is no assurance that the SEC will grant the Fund's request for such exemptive order, or that the Fund will rely on the exemptive order, if granted.

The Fund's initial distribution is expected to be declared approximately 45 to 60 days after the completion of this offering and paid approximately 60 to 90 days after the completion of this offering, in each case depending on market conditions. Common Shareholders who elect not to participate in the Fund's dividend reinvestment plan will receive all distributions in cash. Distributions to Common Shareholders who do not make such an election will be automatically reinvested in additional Common Shares.

Listing and Symbol . . . . The Fund's Common Shares have been approved for listing on the NYSE under the symbol "PGZ."

Dividend Reinvestment Plan . . . . Unless a Common Shareholder elects otherwise, all distributions from the Fund will be automatically reinvested in additional Common Shares under the Fund's dividend reinvestment plan. Shareholders who elect not to participate in the dividend reinvestment plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by DST Systems, Inc. as dividend disbursing agent. Whenever the Fund declares a dividend or other distribution payable in cash, participants in the dividend reinvestment plan will receive the equivalent in Common Shares.

Closed-End Structure	Closed-end funds differ from open-end management investment companies (commonly referred to as mutual funds) in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities that are redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objective and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in the employment of leverage and in the ability to make certain types of investments, including investments in illiquid securities. See "Description of Capital Structure."
Custodian	State Street Bank and Trust Company will serve as the Fund's custodian.
Transfer Agent	DST Systems, Inc. will serve as the Fund's transfer agent.
Risks	Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Therefore, before investing, you should consider carefully the following risks that you assume when you invest in the Common Shares: *No Operating History*. The Fund is a closed-end investment company with no history of operations and is designed for long-term investors and not as a trading vehicle. *Investment and Market Risk*. An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund, which are generally traded on a securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The Common Shares at any point in time may be worth less than the original investment, even after taking into account any reinvestment of dividends and distributions.

Risk of Loss. Investments in securities carry the risk of the loss of capital. Depending upon the investment strategies employed and market conditions, the Fund may be adversely affected by unforeseen events involving such matters as political crises, changes in interest rates and forced redemptions of securities. No guarantee or representation is made that the Fund's investment program will be successful. The performance of PrinREI and its affiliates' prior investments are not necessarily indicative of the Fund's future results. While PrinREI intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that targeted returns will be achieved. On any given investment, loss of principal is possible. Control over the day-to-day operation of the Fund will be vested entirely with ALPS and PrinREI, and the Fund's future profitability will depend largely upon the business and investment acumen of PrinREI. The loss of service of one or more employees of PrinREI could have an adverse effect on the Fund's ability to realize its investment objective.

Risks Associated with Investment in Commercial Real Estate Loans. Investments in CMBS are subject to the various risks which relate to the pool of underlying assets in which the CMBS represents an interest. CMBS may be backed by obligations (including certificates of participation in obligations) that are principally secured by commercial real estate loans or interests therein having a multi-family or commercial use, such as shopping malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. Securities backed by commercial real estate assets are subject to securities market risks as well as risks similar to those of direct ownership of commercial real estate loans because those securities derive their cash flows and value from the performance of the commercial real estate underlying such investments and/or the owners of such real estate. These risks include:

- Declines in the value of real estate;
- Declines in rental or occupancy rates;
- Risks related to general and local economic conditions;
- Dependency on management skills of the borrower or third-party property management firm;
- Risk depending on the timing of cash flows from the underlying mortgage properties;
- Possible lack of available mortgage funds to refinance the mortgage loans at maturity;
- Overbuilding;
- Extended vacancies in properties;

- Increases in property taxes and operating expenses, including energy costs;
- Changes in zoning laws and other governmental rules, regulation and fiscal policies; compliance with existing legal and regulatory requirements, including environmental controls and regulations;
- Risks related to the ability of a property to attract and retain tenants, including those listed in this section, as well as the ability of a property owner to pay leasing commissions, provide adequate maintenance and insurance, pay tenant improvement costs and make other tenant concessions;
- Expenses incurred in the cleanup of environmental problems;
- Costs and delays involved in enforcing rights of a property owner against tenants that default under the terms of leases or seek protection of bankruptcy laws;
- Risks related to the type and use of a particular commercial property, e.g., hospitals, nursing homes, hospitality properties and other property types;
- Casualty or condemnation losses, including where liability and casualty insurance does not provide full protection;
- Changes in interest rates and the availability of credit to refinance such loans at or prior to maturity;
- Changes in tax laws;
- Terrorist threats and attacks;
- Social unrest and civil disturbances; and
- Weather and other acts of God.

The above factors may impact the ability of a borrower to meet its obligations on the loan. Certain loans may default which could result in either a foreclosure of the property or a restructure of the loan. Such actions may impact the amount of proceeds ultimately derived from the loan, and the timing of receipt of such proceeds may be shorter or longer than the original term of the loan. Losses on the loans will negatively impact the most subordinate CMBS classes first. Any proceeds received from the loans will generally be applied to the most senior bonds outstanding before any payments are made to the subordinate bonds. The occurrence of defaults and losses on the loans may result in downgrades of the CMBS by the NRSROs. See "Risks — Risks Associated With Recent Adverse Developments In The Mortgage Finance And Credit Markets."

In addition the following risks apply to investments in CMBS (several of which also apply more generally to investments in debt securities and other asset backed securities):

Credit Quality and Selection. In addition to the risks listed above, CMBS are affected by the quality of the credit extended.

As a result, the quality of the CMBS is dependent upon the selection of the commercial mortgages for each issuance and the cash flow generated by the commercial real estate assets. Risk factors related to the foregoing include:

- Potential lack of diversification in certain CMBS issuances;
- Dependence on the skills, decision-making and experience of the various issuers in selecting the commercial mortgages backing the issuances; and
- Adverse borrower selection within an issuance.

Amortization, Refinance or Sale. Commercial real estate loans are generally not fully amortizing, which means that they may have a significant principal balance or "balloon" payment due on maturity. Commercial loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or a sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property. In addition, commercial real estate loans generally are non-recourse to borrowers. In the event of foreclosure on a commercial real estate loan, the value of the collateral securing the loan at the time of foreclosure may be less than the principal amount outstanding on the loan plus accrued but unpaid interest thereon, resulting in a non-collectable deficiency. Losses realized on the sale of foreclosed properties could negatively impact the credit enhancement provided to certain CMBS investments and eventually lead to a loss of principal.

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if the Fund does not receive its desired allocations of investments or PrinREI does not find a sufficient volume of investments it deems appropriate for the Fund. New issuances of CMBS were halted during the recent global liquidity crisis. While new CMBS issuances have resumed, it remains uncertain how robust the market will become or the impact any potential regulatory reform may have on the CMBS market. Such market conditions could impact the valuations of the Fund's investments and impair PrinREI's ability to buy securities for the Fund. The business of acquiring the type of investments targeted by the Fund is highly competitive and involves a high degree of uncertainty.

Lack of Operating Control of Underlying Investments. The day-to-day operations of the real estate companies and properties underlying the commercial real estate loans that secure the Fund's CMBS investments will be the responsibility of the owners and developers of such companies and properties. Although PrinREI will be responsible for monitoring the performance of each CMBS investment, there can be no assurance that the owners and developers will be able to operate the underlying companies or properties in accordance with their business plans or the expectations of the Fund.

Lack of Control Over CMBS. The Fund will generally not have a right to vote or to make decisions with respect to the administration of the CMBS investments or servicing of the commercial real estate loans that underlie the Fund's CMBS investments. Those decisions will generally be made by one of the master servicer, special servicer, trustee or a controlling party. Any decision made by one of those parties may not be in the best interest of the Fund and, even if that decision is determined to be in the Fund's best interests by that party, may be contrary to the decision that the Fund would have made and may negatively affect the Fund's interests.

Due Diligence Risks of CMBS. Before making any investments in CMBS, PrinREI will assess the factors that it believes will determine the success of that investment. This process is particularly important and subjective because there may be little information publicly available about the CMBS other than what is available in the prospectuses, offering memoranda or similar disclosure documentation associated with the CMBS. The Fund cannot provide any assurances that these due diligence processes will uncover all relevant facts of the underlying commercial real estate loans or that any investment in a CMBS issuance will be successful.

Credit Ratings — Rating Agencies. The Fund can invest in CMBS rated "investment grade" or "below investment grade" by an NRSRO. The term "investment grade" denotes a credit rating of BBB- or higher by S&P, or Baa3 or higher by Moody's, or BBB- or higher by Fitch, or BBB- or higher by Kroll Bond Rating Agency, Inc., or BBB(low) or higher by Dominion Bond Rating Service or BBB- or higher by Morningstar Credit Ratings, LLC ("Morningstar") or such comparable rating by any other NRSRO. The term "below investment grade" (commonly referred to as "junk bonds" or "high yield securities") denotes a credit rating of BB+ or lower by S&P, or Ba1 or lower by Moody's, or BB+ or lower by Fitch, or BB+ or lower by Kroll Bond Rating Agency, Inc., or BB(high) by Dominion Bond Rating Services or BB+ or lower by Morningstar or such comparable rating by any other NRSRO. A credit rating is a current assessment of the probability of timely payment of interest and ultimate recovery of principal. The ratings are based on current information furnished by the issuer or obtained by the NRSRO from other sources the credit rating agency considers reliable. NRSROs do not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. NRSROs may take into consideration obligors such as guarantors, insurers or lessees.

<u>Use of Credit Rating</u>. A credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. Credit ratings do not constitute a guarantee of the quality of CMBS. The rating assigned to a security reflects only the NRSRO's opinion. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, sufficient information or for other circumstances. A change in a bond's credit rating typically will affect the price of the bond. The use of credit ratings for evaluating bonds involves certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of bonds. Also, NRSROs may fail to change credit ratings in a timely manner to reflect recent events. If a NRSRO changes the rating of a security held by the Fund, the Fund may retain the security if PrinREI believes such retention is in the best interest of the Fund's investors.

<u>Risks Associated with the Insolvency of Obligations Backing CMBS</u>. The commercial real estate loans backing the CMBS may be subject to various laws enacted in the jurisdiction or state of the borrower for the protection of creditors. If an unpaid creditor files a lawsuit seeking payment, the court may invalidate all or part of the borrower's debt as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness, based on certain tests for borrower insolvency and other facts and circumstances, which may vary by jurisdiction. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the commercial mortgage backing the CMBS, or that regardless of the method of valuation, a court would not determine that the borrower was "insolvent" after giving effect to such incurrence. In addition, in the event of the bankruptcy, insolvency, dissolution, liquidation, winding up or other analogous proceeding of a borrower, payments made on such commercial mortgage loans could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before such bankruptcy, insolvency, dissolution, liquidation, winding up or other analogous proceeding.

Bankruptcy Proceedings. If a borrower of a commercial real estate loan is the subject of a bankruptcy, insolvency, dissolution, liquidation, winding up or other analogous proceeding, payments on the loan may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court including the following:

- An "automatic stay," under which the lender will not be able to institute proceedings or otherwise enforce its rights against the borrower or obligor with respect to such commercial mortgage loan without permission from the court.
- Conversion by the bankruptcy court of such commercial real estate loan into more junior debt or into an equity obligation of the borrower thereof or obligor thereon.
- Modification of the terms of the commercial real estate loan by the bankruptcy court, including reduction or delay of the interest or principal payments thereon.
- Grant of a priority lien to a new money lender to the borrower of, or obligor on, the commercial real estate loan.

Any of the foregoing could cause the related CMBS to decrease in value.

Risks Associated with Interest Shortfalls. The Fund's CMBS investments may be subject to interest shortfalls due to interest collected from the underlying loans not being sufficient to pay accrued interest to all of the CMBS. Interest shortfalls to the trust will occur when the servicer does not advance full interest payments on defaulted loans. The servicer in a CMBS trust is required to advance monthly principal and interest payments due on a delinquent loan. Once a loan is 60 days delinquent, the servicer is required to obtain a new appraisal to determine the value of the property securing the loan. The servicer is only required to advance interest based on the lesser of the loan amount or 90% of the appraised value. Interest shortfalls occur when 90% of the appraised value is less than the loan amount and the servicer does not advance interest on the full loan amount. The resulting interest shortfalls impact interest payments on the most junior class in the trust first. As interest shortfalls increase, more senior classes may be impacted. Over time, senior classes may be reimbursed for accumulated shortfalls if the delinquent loans are resolved, but there is no guarantee that shortfalls will be collected. Interest shortfalls to the trust may also occur as a result of accumulated advances and expenses on defaulted loans. When a defaulted loan or foreclosed property is liquidated, the servicer will be reimbursed for accumulated advances and expenses prior to payments to CMBS bond holders. If proceeds are insufficient to reimburse the servicer or if a defaulted loan is modified and not foreclosed, the servicer is able to make a claim on interest payments that is senior to the bond holders to cover accumulated advances and expenses. If the claim is greater than interest collected on the loans, interest shortfalls could impact one or more bond classes in a CMBS trust until the servicer's claim is satisfied.

Risks Associated with Prepayment. The Fund's CMBS investments may be subject to prepayment. Prepayments on CMBS are affected by a number of factors. If prevailing rates for commercial real estate loans fall below the interest rates on the commercial real estate loans underlying the Fund's CMBS investments, prepayments would generally be expected to increase. Conversely, if prevailing rates for commercial real estate loans rise above the interest rates on the commercial real estate loans underlying the Fund's CMBS investments, prepayment rates would generally be expected to decrease. Faster than expected prepayments may adversely affect the Fund's profitability, particularly if the Fund is forced to invest prepayments it receives in lower yielding securities. Certain commercial real estate loans underlying CMBS may have lockout periods and/or defeasance periods during which time prepayment is prohibited or prepayment penalties or substitute defeasance collateral is required. However, certain of such CMBS permit prepayment after such lockout periods or defeasance periods or the periods for such prepayment premiums have expired. Prepayments on CMBS are also affected by the value of the related mortgaged property, the borrower's equity in the mortgaged property, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the mortgaged property, competition, general economic conditions and other factors. However, there can be no assurance that the underlying loans of a CMBS issue will prepay at any particular rate.

Risks Associated with Extensions. The Fund's CMBS investments may be subject to extension, resulting in the term of the securities being longer than expected. Extensions on CMBS are affected by a number of factors, including the general availability of financing in the market, the value of the related mortgaged property, the borrower's equity in the mortgaged property, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the mortgaged property, competition, general economic conditions and other factors.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the Fund's portfolio's current earnings rate. A decline in income could affect the Common Shares' market price or their overall returns.

Risks Associated with the Servicers. The exercise of remedies and successful realization of liquidation proceeds relating to commercial real estate loans underlying CMBS may be highly dependent on the performance of the servicer or special servicer. The servicer may not be appropriately staffed or compensated to immediately address issues or concerns with the underlying loans. Such servicers may exit the business and need to be replaced which could have a negative impact on the portfolio due to lack of focus during a transition. Special servicers frequently are affiliated with investors who have purchased the most subordinate bond classes, and certain servicing actions, such as a loan extension instead of forcing a borrower pay off, may benefit the subordinate bond classes more so than the senior bond classes. While servicers are obligated to service the portfolio subject to a servicing standard and maximize the present value of the loans for all bond classes, servicers with an affiliate investment in the CMBS may have a conflict of interest. There may be a limited number of special servicers available, particularly those which do not have conflicts of interest.

Risks Associated with Structured Securities. Structured securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from, or sale proceeds of, a specified pool of assets that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. The CMBS in which the Fund will invest are structured securities. Thus, CMBS will bear various risks typically experienced by structured securities: credit risks, liquidity risks, interest rate risks, market risks, operational risks, structural risks and legal risks. The CMBS are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. The performance of the CMBS is also dependent on the allocation of principal and interest payments as well as losses among the classes of such securities of any issue. In addition, concentrations of CMBS backed by underlying collateral located in a specific geographic region or concentrations of specific borrowers or property types, may subject the CMBS to additional risk. Certain CMBS may have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels, which would reduce or eliminate payments of interest on one or more classes of such CMBS for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of the more junior securities may lengthen. As a result, a shortfall in payments to subordinate investors in CMBS will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound.

Risks Associated with the Limited Liquidity of CMBS. The CMBS investments the Fund may invest in may have no, or only a limited, trading market. The liquidity of the CMBS will generally fluctuate with, among other things, general economic conditions, domestic and international political events, developments or trends in a particular industry. The credit markets, including the CMBS market, have periodically experienced decreased liquidity on the primary and secondary markets during periods of extreme market volatility, such as the recent global liquidity crisis. Such market conditions could re-occur and would impact the valuations of the Fund's investments and impair PrinREI's ability to sell securities. Some or all of the CMBS may also be subject to restrictions on transfer and may be considered illiquid.

Risks Associated with Interest Rate Movements. Debt securities, such as CMBS, are sensitive to changes in interest rates. In general, bond prices rise when interest rates fall and fall when interest rates rise. Longer-term bonds are generally more sensitive to interest rate changes. The Fund may utilize derivative instruments for purposes of hedging interest rate risk. The use of derivatives may involve certain costs and risks which are outlined below.

"Spread Widening" Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the market spreads of the securities in which the Fund invests may increase substantially causing the securities prices to fall. It may not be possible to predict, or to hedge against, such "spread widening" risk. In addition, mark-to-market accounting of the Fund's investments will have an interim effect on the reported value prior to realization of an investment.

Risks Associated with Hedging. The Fund may, but is not obligated to, utilize financial instruments, such as over-the-counter derivatives transactions, to hedge its investments and the interest rate and/or spread risk associated therewith. There can be no assurance that the Fund will hedge when appropriate or choose the correct hedge if it does hedge. The use of hedging transactions involves certain risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for the Fund had a particular hedging transaction not been utilized, in which case the Fund's performance would have been better had the Fund not engaged in the hedging transaction; (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging instrument used; (iii) potential illiquidity for the hedging instrument used, which may make it difficult or costly for the Fund to close-out or unwind a hedging transaction; and (iv) market conditions.

Over-the-counter derivatives transactions are also subject to counterparty risk. Counterparty risk is the risk that the party on the opposite side of a contract will be unable to fulfill the terms of the contract when called upon, creating exposure equal to the replacement cost or loss of market value of the contract. To minimize counterparty risk, the Fund may diversify its counterparty exposure and may create exposure limits.

The Fund's use of derivatives or other hedging transactions may be limited by legal and regulatory requirements applicable to the Fund or PrinREI.

In addition, the derivatives market is subject to a changing regulatory environment. In particular, adoption of derivatives legislation by the United States Congress, including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), could have an adverse effect on the Fund's ability to use derivative instruments. The Dodd-Frank Act provides for new regulation of certain portions of the derivatives market, including clearing, margin, reporting, recordkeeping, and registration requirements. The new regulations could, among other things, restrict the Fund's ability to engage in derivatives transactions and/or increase the costs of such derivatives transactions (for example, by increasing margin or capital requirements), and the Fund may be unable to execute its investment strategy as a result.

Tax Risk Relating to Investments in Certain REMICs. The Fund may acquire residual interests in REMICs. The Fund may be taxable at the highest corporate income tax rate on a portion of the income arising from a residual interest in a REMIC that is allocable to the percentage of the Fund's Common Shares held by "disqualified organizations," which are generally certain cooperatives, governmental entities and tax-exempt organizations that are exempt from unrelated business taxable income. Because this tax would be imposed on the Fund, all of the Fund's investors, including investors that are not disqualified organizations, would bear a portion of the tax cost associated with the Fund's investment in a residual interest in a REMIC. See "Federal Income Tax Matters."

In addition, if the Fund realizes excess inclusion income and allocates it to Common Shareholders, this income cannot be offset by net operating losses of the Common Shareholders. If the Common Shareholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the Common Shareholder is a foreign person, it would be subject to U.S. federal income tax withholding on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

Risks Associated with Tax Code or Accounting Changes. CMBS are generally structured as REMICs under the Code, which impacts the tax treatment of the CMBS. Changes to REMIC legislation could impact the investment performance of the CMBS and, as a result, the Fund. In addition, changes in accounting standards, such as mark-to-market or consolidation rules, could negatively impact the performance of the Fund.

Below Investment Grade Securities Risk. The Fund may invest in CMBS and other securities rated below investment grade or, if unrated, determined by PrinREI to be of comparable credit quality, which are commonly referred to as "high-yield" or "junk" bonds. Investment in junk bonds involves substantial risk of loss. Junk bonds are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default or decline in market value due to adverse economic and issuer-specific developments. Junk bonds display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values for junk bonds tend to be more volatile and such securities tend to be less liquid than investment grade debt securities.

Real Estate-Related Securities Risk. Although the Fund will not invest directly in real estate, the Fund will invest in securities of issuers that are have significant exposure to real estate and the real estate industry. Such investments are subject to certain risks associated with the ownership of real estate and with the real estate industry in general. These risks include, among others: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limitations on access to capital; overbuilding; risks associated with leverage; market illiquidity; extended vacancies of properties; increase in competition, property taxes, capital expenditures and operating expenses; changes in zoning laws or other governmental regulation; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; tenant bankruptcies or other credit problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; limitations on and variations in rents, including decreases in market rates for rents; investment in developments that are not completed or that are subject to delays in completion; and changes in interest rates. To the extent that assets underlying the Fund's investments are concentrated geographically, by property type or in certain other respects, the Fund may be subject to certain of the foregoing risks to a greater extent. Investments by the Fund in securities of companies providing mortgage servicing will be subject to the risks associated with refinancings and their impact on servicing rights.

In addition, if the Fund receives rental income or income from the disposition of real property acquired as a result of a default on securities the Fund owns, the receipt of such income may adversely affect the Fund's ability to retain its tax status as a regulated investment company because of certain income source requirements applicable to regulated investment companies under the Code.

REIT-Related Risk. As part of its investments in real estate-related securities, the Fund will invest in REITs. REITs possess certain risks which differ from an investment in common stocks. REITs are financial vehicles that pool investors' capital to acquire, develop and/or finance real estate and provide services to their tenants. REITs may concentrate their investments in specific geographic areas or in specific property types, e.g., regional malls, shopping centers, office buildings, apartment buildings and industrial warehouses.

REITs are subject to management fees and other expenses, and so when the Fund invests in REITs it will bear its proportionate share of the costs of the REITs' operations. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. The market value of REIT shares and the ability of the REITs to distribute income may be adversely affected by several factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increased competition from new properties, the impact of present or future environmental legislation and compliance with environmental laws, failing to maintain their exemptions from registration under the Investment Company Act, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws and other factors beyond the control of the issuers. In addition, distributions received by the Fund from REITs may consist of dividends, capital gains and/or return of capital. Generally, dividends received by the Fund from REIT shares and distributed to the Fund's shareholders will not constitute "qualified dividend income" eligible for the reduced tax rate applicable to qualified dividend income; therefore, the tax rate applicable to that portion of the dividend income attributable to REIT shares held by the Fund that shareholders of the Fund receive will be taxed at a higher rate than dividends eligible for the reduced tax rate applicable to qualified dividend income.

REITs (especially mortgage REITs) are also subject to interest rate risk. Rising interest rates may cause REIT investors to demand a higher annual yield, which may, in turn, cause a decline in the market price of the equity securities issued by a REIT. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of a Fund's REIT investments to decline. During periods when interest rates are declining, mortgages are often refinanced. Refinancing may reduce the yield on investments in mortgage REITs. In addition, since REITs depend on payment under their mortgage loans and leases to generate cash to make distributions to their shareholders, investments in REITs may be adversely affected by defaults on such mortgage loans or leases. To the extent the Fund invests in mortgage REITs it will also be subject to credit risk. Credit Risk is the risk that the borrower will not be able to make interest and dividend payments on the loan to the REIT when they become due.

Investing in certain REITs, which often have small market capitalizations, may also involve the same risks as investing in other small capitalization companies. See "Risks — Small and Mid-Capitalization Stock Risk." REITs may have limited financial resources and their securities may trade less frequently and in limited volume and may be subject to more abrupt or erratic price movements than larger company securities. Historically, small capitalization stocks, such as REITs, have been more volatile in price than the larger capitalization stocks such as those included in the S&P 500 Index. The management of a REIT may be subject to conflicts of interest with respect to the operation of the business of the REIT and may be involved in real estate activities competitive with the REIT. REITs may own properties through joint ventures or in other circumstances in which the REIT may not have control over its investments. REITs may incur significant amounts of leverage.

Similar risks would also apply with respect to U.S. REIT-like structures, non-U.S. REIT-like structures, and REITs formed under the laws of countries other than the United States.

Risks Associated with Direct Ownership of Real Estate Loans.

<u>Commercial Mortgage Loans</u>. The Fund may invest in commercial mortgage loans. The value of the Fund's commercial mortgage loans will be influenced by the historical rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, and hospitality); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

<u>Subordination of Investments</u>. Some of the Fund's investments may be in b-notes and other subordinated loans, structurally subordinated mezzanine loans and preferred equity interests of a direct or indirect property owning entity. These investments will be subordinated to the senior obligations of the property or issuer, either contractually or inherently due to the nature of equity investments. Greater credit risks are usually attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. In addition, these investments may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the borrower's financial condition and/or in general economic conditions may impair the ability of the borrower to make payments on the subordinated investments and cause it to default more quickly with respect to such investments than with respect to the borrower's senior obligations. In many cases, the Fund's management of its investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the more senior lenders and contractual inter-creditor provisions. Investment in b-notes and other subordinated loans may be less in volume relative to any such debt. As such, it is more likely that a complete loss may occur in the event of a default on such debt. Furthermore, the Fund

may not possess adequate funds in order to purchase any senior notes.

Mezzanine Loans. Although not secured by the underlying real estate, mezzanine loans share certain risks as described in Subordination of Investments above and characteristics of subordinate loan interests described herein. It is expected that the commercial properties owned by such entities are or will be subject to existing mortgage loans and other indebtedness. As with commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks, including certain of the considerations and risks described herein. Mezzanine loans may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the mezzanine loan. Mezzanine loans are not secured by interests in the underlying commercial properties.

B-Notes and A/B Structures. The Fund may invest in b-notes, which investments are subordinate to the a-note portion of the same loan (which the Fund would not expect to hold). In addition to the risks described above in Subordination of Investments, certain additional risks apply to b-note investments, including those described herein. The b-note portion of a loan is typically small relative to the overall loan, and vis-à-vis the a-note portion of the loan is in the first loss position. As a means to protect against the holder of the a-note from taking certain actions or receiving certain benefits to the detriment of the holder of the b-note, the holder of the b-note often (but not always) has the right to purchase the a-note from its holder. If available, this right may not be meaningful to the Fund. For example, the Fund may not have the capital available to protect its b-note interest or purchasing the a-note may alter the Fund's overall portfolio and risk/return profile to the detriment of Common Shareholders.

Bridge Financings. The Fund may invest in bridge loans as part of its investment strategy. The Fund will bear the risk of any changes in financing markets, which may adversely affect the ability of a borrower to refinance any bridge financings. If the borrower were unable to complete a refinancing, then the Fund could be left holding an unexpected long-term investment in a junior security or that junior security might be converted to equity. The Fund may make an investment with the intent of financing or otherwise reducing the Fund's investment shortly after the closing of such investment. There can be no assurance that other transactions designed to reduce or leverage the Fund's investment will occur, or that terms of such financings will be attractive when closed. If the Fund is unable to complete such an anticipated transaction, its investments will be less diversified than intended. In addition, bridge financings may be secured by properties that are in transition or under "lease up." There is a risk that completion of such transition or "lease up" of such properties will not occur. In that event, the Fund may be required to take possession of the property.

Concentration Risk. The Fund will be concentrating in companies in the real estate industry, which may include CMBS, REITs, REIT-like structures, and other securities that are secured by, or otherwise have exposure to, real estate. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Any market price movements, regulatory changes, or economic conditions affecting CMBS, REITs, REIT-like structures, and real estate more generally, will have a significant impact on the Fund's performance.

Credit Risk. A Fund could lose money if the issuer or guarantor of CMBS, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. These risks are heightened with respect to issuers of high-yield or "junk" bonds.

Pricing Risk. Daily valuations of most of the Fund's securities are provided by a third-party pricing service. There can be no assurance that PrinREI will be able to sell the securities at the same price as the valuations. If market conditions make it difficult to value some investments, the Fund may value these investments using more subjective methods, such as fair value pricing. In such cases, the value determined for an investment could be different than the value realized upon such investment's sale. Non-public or non-securities investments will be valued on a fair-value pricing basis. See "Net Asset Value."

Secondary markets may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may prevent the Fund from being able to realize full value and thus sell a security for its full valuation. This could cause a material decline in the Fund's net asset value.

Excise Tax Risk. A regulated investment company that fails to distribute, by the close of each calendar year, an amount at least equal to the sum of 98% of its ordinary income for such calendar year and 98.2% of its capital gain net income for the one-year period ending on October 31 of such calendar year, plus any shortfalls from any prior year's required distribution, is liable for a 4% excise tax on the portion of the undistributed amounts of such income that are less than the required distributions.

There can be no assurance of the Fund's excise tax liability. See "Federal Income Tax Matters" in this Prospectus and "Taxes" in the accompanying Statement of Additional Information ("SAI").

Asset-Backed Securities Risks. Because asset-backed securities may not have the benefit of a security interest in the underlying assets, asset-backed securities present certain additional risks that are not present with mortgage-backed securities. For example, credit card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to avoid payment of certain amounts owed on the credit cards, thereby reducing the balance due. Furthermore, most issuers of automobile receivables permit the servicer to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Payments of principal and interest on asset-backed securities may be dependent upon the cash flow generated by the underlying assets backing the securities and, in certain cases, may be supported by some form of credit enhancement. The degree of credit enhancement provided for each issue is generally based on historical information respecting the level of credit risk associated with the underlying assets. Delinquency or loss in excess of that anticipated or failure of the credit enhancement could adversely affect the return on an investment in such a security. The value of the securities also may change because of changes in interest rates or changes in the market's perception of the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing the credit enhancement. Additionally, since the deterioration of worldwide economic and liquidity conditions that became acute in 2008, asset-backed securities have been subject to greater liquidity risk. Asset-backed securities are ultimately dependent upon payment of loans and receivables by individuals, businesses and other borrowers, and the Fund generally has no recourse against the entity that originated the loans.

The yield characteristics of the asset-backed securities in which the Fund may invest differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently on asset-backed securities (usually monthly) and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. As a result, if the Fund purchases these securities at a premium, a prepayment rate that is faster than expected will reduce their yield, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield. Conversely, if the Fund purchases these securities at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, the yield on these securities. Because prepayment of principal generally occurs during a period of declining interest rates, the Fund may generally have to reinvest the proceeds of such prepayments at lower interest rates. Therefore, asset-backed securities may have less potential for capital appreciation in periods of falling interest rates than other income-bearing securities of comparable maturity.

The availability of asset-backed securities may be affected by legislative or regulatory developments. It is possible that such developments may require the Fund to dispose of any then-existing holdings of such securities.

Repurchase Agreement Risk. While repurchase agreements involve certain risks not associated with direct investments in debt securities, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling financial institution, the Fund will seek to liquidate such collateral. However, the exercising of the Fund's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss.

Risks Related to the Fund's Use of Leverage. Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings and the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets). Notwithstanding the 33⅓% limit discussed above, the Fund may enter into derivatives or other transactions (e.g., credit default swaps and total return swaps) that may provide leverage (other than Limited Leverage), but which are not subject to the foregoing 33⅓% limitation, if the Fund earmarks or segregates liquid assets (or enters into offsetting positions) in accordance with applicable SEC regulations and interpretations to cover its obligations under those transactions and instruments. The Fund will not enter into any such transaction if it would result in the Fund having total leverage (i.e., Limited Leverage plus any leverage incurred through these additional transactions) in excess of 40% of the Fund's total assets. These additional transactions will not cause the Fund to pay higher advisory or administration fee rates than it would pay in the absence of such transactions, although the dollar amount of these fees payable by the Fund will increase and decrease along with increases to and decreases in the value of the Fund's total assets. In addition, these transactions will entail additional expenses (e.g., transaction costs) which will be borne by the Fund.

The instruments utilized to provide leverage have seniority in liquidation and distribution rights over Common Shares.

Leverage is a technique that could adversely affect Common Shareholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from leverage exceed the costs of such leverage, the use of leverage could cause the Fund's net asset value to decline. When leverage is used, the net asset value and market value of the Common Shares will be more volatile. There can be no assurance that the Fund's use of leverage will be successful.

Common Shareholders bear the costs of leverage through higher operating expenses. Because management fees and administrative fees are each based on the Fund's total assets, use of Limited Leverage increases the effective management fee and administrative fee borne by Common Shareholders. In addition, the issuance of certain types of leverage (e.g., preferred shares) by the Fund would result in offering expenses and other costs, which would ultimately be borne by Common Shareholders. Fluctuations in interest rates could increase the Fund's interest or dividend payments on Limited Leverage and could reduce cash available for distributions on Common Shares. Certain forms of Limited Leverage are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect the Fund's ability to pay distributions to Common Shareholders in certain instances. The Fund may also be required to pledge assets to the lenders in connection with certain other types of Limited Leverage.

Leverage involves other risks and special considerations for Common Shareholders, including the likelihood of greater volatility in the net asset value and market price of Common Shares than a comparable portfolio without leverage. That means that, in a declining market, leverage is likely to cause a greater decline in the net asset value of Common Shares than if the Fund were not leveraged. That, in turn, may result in a greater decline in the market price of Common Shares than if the Fund were not leveraged.

Leverage constitutes a substantial lien and burden by reason of their prior claim against income and against the Fund's net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any borrowings are senior to the rights of holders of Common Shares and preferred shares, with respect to the payment of distributions or upon liquidation. The Fund may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or preferred shares or purchase Common Shares or preferred shares unless at such time, the Fund meets certain asset coverage requirements and no event of default exists under any borrowings. In addition, the Fund may not be permitted to pay distributions on Common Shares unless all dividends on any preferred shares and/or accrued interest on any borrowings have been paid, or set aside for payment.

In an event of default under certain forms of leverage, the lenders or preferred shareholders may have the right to cause a liquidation of collateral (i.e., sell portfolio securities) and, if any such default is not cured, the lenders or preferred shareholders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, the Fund may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales.

Certain types of leverage may subject the Fund to certain affirmative covenants relating to asset coverage and portfolio composition and may impose special restrictions on use of various investment techniques or strategies or in the Fund's ability to pay distributions on Common Shares in certain instances. In addition, the Fund may be subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others.

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

The Fund's Borrowings may include loans from banks or other financial institutions, reverse repurchase agreements, and senior notes or similar debt securities. The terms of any preferred shares the Fund issues, including its dividend rate, voting rights, liquidation preference and redemption provisions, will be determined by the Board of Trustees (subject to applicable law and the Fund's declaration of trust) if and when it authorizes the preferred shares. If the Fund is unable to refinance certain forms of leverage when it matures, the Fund may be forced to sell securities in its portfolio to repay such leverage. Further, if the Fund does not repay the leverage when it matures, that will trigger an event of default under the terms of the Fund's borrowings (which will likely increase the interest rate payable on such borrowings and give the lenders under such borrowings certain additional rights) and will trigger a higher dividend rate on the preferred shares.

In connection with the Fund's anticipated use of Limited Leverage, PrinREI may seek to hedge the associated interest rate risk through derivative instruments, which may include interest rate swaps, caps, floors, collars, rate forwards and interest rate futures (and options thereon). There are economic costs of hedging reflected in the pricing of these derivative instruments which can be significant, particularly when long-term interest rates are substantially above short-term interest rates. The desirability of moderating these hedging costs will be a factor in PrinREI's choice of hedging strategies, although costs will not be the exclusive consideration in selecting hedge instruments. In addition, the Fund may select individual investments based upon their potential for appreciation without regard to the effect on current income in an attempt to mitigate the impact on the Fund's assets of the expected normal cost of hedging.

There may be an imperfect correlation between interest rates and hedging positions entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. In addition, the Fund's success in using hedge instruments will be subject to PrinREI's ability to predict correctly changes in the relationships of such hedge instruments to the leverage used by the Fund, and there can be no assurance that PrinREI's judgment in this respect will be accurate. Consequently, the use of hedging transactions might result in a poorer overall performance for the Fund, whether or not adjusted for risk, than if the Fund had not hedged its interest rate exposure.

Finally, the 1940 Act provides certain rights and protections for preferred shareholders which may adversely affect the interests of Common Shareholders.

Risks Associated with Swap Transactions. The use of swap transactions is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. If PrinREI is incorrect in its forecasts of default risks, market spreads or other applicable factors or events, the investment performance of the Fund would diminish compared with what it would have been if these techniques were not used. The Fund generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the Fund may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty defaults, the Fund will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Fund will succeed in enforcing its rights. It also is possible that developments in the derivatives market, including changes in government regulation, could adversely affect the Fund's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

Preferred Stock Risk. Generally, preferred stockholders (such as the Fund, to the extent it invests in preferred stocks of other issuers) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred stockholders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred stockholders no longer have voting rights. In the case of certain taxable preferred stocks, holders generally have no voting rights, except (i) if the issuer fails to pay dividends for a specified period of time or (ii) if a declaration of default occurs and is continuing. In certain varying circumstances, an issuer of preferred stock may redeem the securities prior to a specified date. For instance, for certain types of preferred stock, a redemption may be triggered by a change in U.S. federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Fund.

Non-U.S. Securities Risk. The Fund may invest a significant portion of its assets in securities of non-U.S. issuers, including securities of issuers located in emerging markets (see Emerging Markets Risk). Investments in securities of non-U.S. issuers involve special risks not presented by investments in securities of U.S. issuers, including the following: less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; many non-U.S. markets are smaller, less liquid and more volatile; potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments; the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; the impact of economic, political, social or diplomatic events; possible seizure of a company's assets;

restrictions imposed by non-U.S. countries limiting the ability of non-U.S. issuers to make payments of principal and/or interest due to blockages of foreign currency exchanges or otherwise; and withholding and other non-U.S. taxes may decrease the Fund's return. These risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region and to the extent that the Fund invests in securities of issuers in emerging markets. In addition, economic, political and social developments may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. sovereign issuers.

To the extent the Fund invests in depositary receipts, the Fund will be subject to many of the same risks as when investing directly in non-U.S. securities. The holder of an unsponsored depositary receipt may have limited voting rights and may not receive as much information about the issuer of the underlying securities as would the holder of a sponsored depositary receipt.

Emerging Markets Risk. The Fund may invest in securities of issuers located in emerging markets. Emerging markets issuers are those (i) whose securities are traded principally on a stock exchange or over-the-counter in an emerging market country, (ii) that are organized under the laws of and have a principal office(s) in an emerging market country or (iii) that have at least 50% of their revenues, profits or assets in emerging market countries. Emerging market countries include any country not included in the MSCI World Index, a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. Risks of investing in emerging markets issuers include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales; future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the companies in those markets.

Foreign Currency Risk. Because the Fund expects to invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities owned by the Fund, the unrealized appreciation or depreciation of investments and gains on and income from investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Fund's net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. These risks often are heightened for investments in smaller, emerging capital markets. Initially, the Fund does not expect to enter into foreign currency hedging transactions, but may do so in the future if PrinREI believes it to be in the best interest of the Fund and its shareholders.

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

Convertible Securities Risk. Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible security's "conversion price." The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. However, convertible securities fall below debt obligations of the same issuer in order of preference or priority in the event of a liquidation and are typically unrated or rated lower than such debt obligations.

Risks Associated with Futures Contracts. If futures are used for hedging purposes, there can be no guarantee that there will be a correlation between price movements in the futures contract and in the underlying financial instruments that are being hedged. This could result from differences between the financial instruments being hedged and the financial instruments underlying the standard contracts available for trading. In addition, price movements of futures contracts may not correlate perfectly with price movements of the financial instruments underlying the futures contracts due to certain market distortions. Successful use of futures by the Fund also is subject to PrinREI's ability to predict correctly movements in the direction of the relevant market. For example, if the Fund uses futures to hedge against the possibility of a decline in the value of a currency in which certain portfolio securities are denominated, and the value of that currency increases instead, the Fund will lose part or all of the benefit of the increased value of the securities denominated in the currency which it has hedged because it will have offsetting losses in its futures positions. Furthermore, if in such circumstances the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. The Fund may have to sell such securities at a time when it may be disadvantageous to do so.

Risks Associated with Forward Currency Contracts. PrinREI's decision whether to enter into forward foreign currency contracts will depend in part on its view regarding liquidity, market conditions, and the direction and amount in which exchange rates are likely to move. The forecasting of movements in exchange rates is extremely difficult, so that it is highly uncertain whether a currency management strategy, if undertaken, would be successful. To the extent that PrinREI's view regarding future exchange rates proves to have been incorrect, the Fund may realize losses on its foreign currency transactions. Even if a foreign currency hedge is effective in protecting the Fund from losses resulting from unfavorable changes in exchange rates between the U.S. dollar and foreign currencies, it also would limit the gains which might be realized by the Fund from favorable changes in exchange rates.

The Fund may also utilize forward rate contracts. Under forward rate contracts, the buyer locks in an interest rate at a future settlement date. If the interest rate on the settlement date exceeds the lock rate, the buyer pays the seller the difference between the two rates. If the lock rate exceeds the interest rate on the settlement date, the seller pays the buyer the difference between the two rates. If the other party to a forward rate contract defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive that is in excess of collateral posted by the

Fund's counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) in respect of such liability. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. These instruments are traded in the over-the-counter market.

Certain currency derivatives are subject to regulation under the Dodd-Frank Act. Potential rule-making with respect to such derivatives could affect the cost of such derivatives or otherwise restrict the fund's ability to effectively use currency derivatives.

Risks Associated with Covered Calls. The Fund may write covered call options, subject to the limitation that no more than 50% of the Fund's assets attributable to equity securities will be subject to covered call options at any given time. As the writer of a covered call option, during the option's life the Fund gives up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the Fund retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option prior to exercise. If trading were suspended in an option, the Fund would not be able to close out the option position. If the Fund were unable to close out a covered call option that it had written on a security, the Fund would not be able to sell the underlying security unless the option expired without exercise.

Portfolio Turnover Risk. The techniques and strategies contemplated by the Fund may result in a high degree of portfolio turnover. The Fund cannot accurately predict its securities portfolio turnover rate, but anticipates that its annual portfolio turnover rate will be between 75% and 100% (excluding turnover of securities having a maturity of one year or less) under normal market conditions, although it could be materially higher under certain conditions. A high turnover rate (100% or more) would necessarily involve greater expenses to the Fund and could result in realization of net short-term capital gains.

Market Price of Common Shares. The shares of closed-end management investment companies often trade at a discount from their net asset value, and the Common Shares may likewise trade at a discount from net asset value. The trading price of the Common Shares may be less than the public offering price. The returns earned by Common Shareholders who purchase Common Shares in this offering and subsequently sell their Common Shares below net asset value will be reduced.

Risks from Non-Diversified Status. As a non-diversified investment company under the 1940 Act, and the rules and regulations thereunder, the Fund may invest a greater portion of its assets in a more limited number of issuers than a diversified fund. The Fund will participate in a limited number of investments and all or a substantial majority of its investment portfolio may be in a particular bond class. As a result, the Fund's investment portfolio could have significant investments in a particular issuer or bond class. An investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Common Shares. While the investment limitations of the Fund restrict investments in any specific CMBS bond to a maximum of 10% of the Fund's total assets, losses incurred on an investment of this size could still have a significant impact on overall Fund performance. The Fund intends to comply with the diversification requirements of the Code applicable to regulated investment companies. See "Taxes" in the SAI. See "Risks — Risks from Non-Diversified Status."

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. ALPS, PrinREI and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Capital Market Risk. Global financial markets and economic conditions are volatile due to a variety of factors, including significant write-offs in the financial services sector, and therefore companies may have difficulty raising capital. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, companies may be unable to obtain new debt or equity financing on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, companies may not be able to meet their obligations as they come due.

Anti-Takeover Provisions. The Fund's declaration of trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of the Board of Trustees. In certain circumstances, these provisions might also inhibit the ability of shareholders to sell their shares at a premium over prevailing market prices. See "Description of Capital Structure — Anti-Takeover Provisions in the Declaration of Trust."

SUMMARY OF FUND EXPENSES

The purpose of the following table and example is to help you understand all fees and expenses that you, as a Common Shareholder, would bear directly or indirectly. The expenses shown in the table and related footnotes are based on estimated amounts for the Fund's first full year of operations and assume that the Fund issues approximately 6,300,000 Common Shares. The following table assumes the use of leverage in an amount equal to 33⅓% of the Fund's total assets (or approximately 50% of the Fund's net assets) and shows Fund expenses as a percentage of net assets attributable to common stock.

Shareholder transaction expenses	
Sales load (as a percentage of offering price)	4.5%
Expenses (as a percentage of offering price)	0.20%(1)(2)
Dividend reinvestment plan fees	None(3)

	Percentage of Net Assets Attributable to Common Shares (Assuming the Use of Leverage Equal to 33⅓% of the Fund's Total Assets)(4)
Annual Expenses (as a percentage of net assets attributable to Common Shares)	
Management Fees	1.58%
Administrative Fees	0.23%
Interest Payments on Borrowed Funds	0.53%
Other Expenses	0.28%(5)
Total Annual Expenses	2.62%

(1) ALPS has agreed to pay all organizational expenses of the Fund and to pay those offering expenses of the Fund (exclusive of sales load) that exceed $0.04 per Common Share. Based on an estimated offering size of $126,000,000 (approximately 6,300,000 Common Shares), the Fund would pay a maximum of $252,000 of offering costs (or $0.04 per share) and ALPS would pay all offering costs in excess of $252,000, which are currently estimated to be $927,000 (or $0.15 per share).

(2) ALPS (and not the Fund) has agreed to pay from its own assets a structuring fee to Wells Fargo Securities, LLC, UBS Securities LLC, RBC Capital Markets, LLC, Oppenheimer & Co. Inc. and Stifel, Nicolaus & Co., Inc.

(3) There will be no brokerage charges with respect to Common Shares issued directly by the Fund under the dividend reinvestment plan. You will pay brokerage charges in connection with open market purchases or if you direct the plan agent to sell your Common Shares held in a dividend reinvestment account.

(4) For purposes of this assumption, all leverage used is in the form of Limited Leverage that is included in the calculation of Total Managed Assets. See "Leverage." The table presented below in this footnote 4 estimates what the Fund's annual expenses would be, stated as percentages of the Fund's net assets attributable to Common Shares, but, unlike the table above, assumes that the

Fund does not utilize Limited Leverage. In accordance with these assumptions, the Fund's expenses would be estimated to be as follows:

	Percentage of Net Assets Attributable to Common Shares (assuming no Limited Leverage)
Annual expenses (as a percentage of net assets attributable to Common Shares)	
Management fees	1.05%
Administrative fees	0.15%
Other expenses(5)	0.28%
Total annual expenses	1.48%

(5) Estimated expenses based on the current fiscal year.

Example

The purpose of the following table is to help a Common Shareholder understand the fees and expenses that such holder would bear directly or indirectly. The expenses shown in the table are based on estimated amounts for the Fund's first year of operations, unless otherwise indicated, and assume that the Fund issues approximately 6,300,000 Common Shares. If the Fund issues fewer Common Shares, all other things being equal, these expenses would increase. See "Management of the Fund."

As required by relevant SEC regulations, the following example illustrates the expenses (including the sales load of $45, estimated offering expenses of this offering of $2.00) that you would pay on a $1,000 investment in Common Shares, assuming (i) net annual expenses of 2.62% of net assets attributable to Common Shares and (ii) a 5% annual return(1):

	1 Year	3 Years	5 Years	10 Years
Total expenses incurred	$72	$125	$179	$328

(1) The example should not be considered a representation of future expenses. Actual expenses may be higher or lower than those shown. The example assumes that the estimated "Other expenses" set forth in the Annual expenses table are accurate and that all dividends and distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund's actual rate of return may be greater or less than the hypothetical 5% annual return shown in the example.

THE FUND

The Fund is a newly organized, non-diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Delaware statutory trust on August 31, 2012, and has no operating history. The Fund's principal office is located at 1290 Broadway, Suite 1100, Denver, CO 80203, and its telephone number is (303) 623-2577.

USE OF PROCEEDS

The net proceeds of this offering of Common Shares will be approximately $120,078,000 ($137,994,400 if the underwriters exercise the over-allotment option in full) after payment of the sales load and organizational and offering costs (other than the sales load) estimated to be approximately $0.04 per Common Share. ALPS has agreed to (i) pay all organizational expenses of the Fund and (ii) pay all offering costs (other than the sales load) that exceed $0.04 per Common Share. The net proceeds of the offering will be invested in accordance with the Fund's investment objective and investment strategies (as stated below) as soon as practicable after completion of the offering. The Fund currently anticipates being able to do so within 30 to 60 days after the completion of the offering. Pending investment of the net proceeds in accordance with the Fund's investment objective and investment strategies, the Fund will invest in money market securities or money market mutual funds. Investors should expect, therefore, that before the Fund has fully invested the proceeds of the offering in accordance with its investment objective and investment strategies, the Fund's yield will be somewhat lower, but that its net asset value would be subject to less fluctuation, than will be the case at such time as the Fund is fully invested.

INVESTMENT OBJECTIVE AND PRINCIPAL INVESTMENT STRATEGIES

General

The Fund's investment objective is to seek to provide high current income, with capital appreciation as a secondary objective, by investing in commercial real estate-related securities. There can be no assurance that the Fund will achieve its investment objective.

Under normal market conditions, the Fund will invest at least 80% of its total assets in commercial real estate-related securities, primarily consisting of CMBS and other U.S. and non-U.S. real estate-related securities (primarily REITs or REIT-like entities). Under normal circumstances, the Fund will invest between 40% and 70% of its total assets in CMBS and will invest between 30% and 60% in other real estate-related securities (including REITs). A CMBS is a type of mortgage-backed security that is secured by a loan (or loans) on one or more interests in commercial real estate property. REITs are pooled investment vehicles that invest in income producing real estate, real estate related loans, or other types of real estate interests. The Fund will invest in CMBS and other real estate-related securities at new issuance and in the secondary market which the Fund's investment subadviser, PrinREI, believes will generate attractive risk-adjusted current yields and the potential for capital appreciation for the Fund.

The Fund will rely on PrinREI's experience in the U.S. CMBS and global real estate-related securities markets to invest in both investment grade and below investment grade CMBS as well as other U.S. and non-U.S. real estate-related securities (including REITs). PrinREI will select CMBS and other real estate-related securities which it believes are fairly or under-priced relative to current market valuations and which PrinREI believes will provide attractive risk-adjusted current yields and total returns to the Fund. PrinREI will employ its proprietary research, fundamental analysis, modeling and real estate underwriting staff to assess credit risk, determine fair value and perform bottom-up security selection. After initially investing the proceeds of the offering, technical influences on the market will be considered before transacting to determine the appropriate time to either acquire or sell investments in the manner that PrinREI believes will be most consistent with helping the Fund achieve its investment objective. Derivative instruments, including credit default swaps, interest rate swaps, caps, floors and collars, currency futures and forwards, rate forwards, and interest rate futures (and options thereon) may be used to reduce credit risk (in the case of credit default swaps), reduce interest rate risk (in the case of interest rate swaps, caps, floors, collars, rate forwards and interest rate futures), or help manage currency risk (in the case of currency forwards and futures), if PrinREI believes doing so would be beneficial to the Fund. As market conditions warrant, PrinREI may also cause the Fund to sell (i.e., write) credit default swaps in order to gain market exposure and add incremental yield to the Fund's portfolio. The Fund may also use futures on indexes or baskets of real estate-related securities to gain market exposure, if PrinREI believes doing so would be beneficial to the Fund. See "Risks — Risks Associated with Swap Transactions," "— Risks Associated with Futures Contracts," and "— Risks Associated with Forward Currency Contracts."

The Fund currently expects to write call options with the purpose of generating realized gains or reducing the Fund's ownership of certain securities. It is not currently expected that the Fund will engage in this activity during its first year of operation. The Fund will only write call options on equity securities that the Fund holds in its portfolio (i.e., covered calls) and no more than 50% of the Fund's assets attributable to equity securities will be subject to covered call options at any given time. See "Risks — Risks Associated with Covered Calls."

PrinREI will employ a dynamic asset allocation strategy in a manner consistent with the Fund's investment objective — in other words, the Fund's portfolio managers will work together to shift the Fund's overall allocation between CMBS and other real estate-related securities over time to provide an allocation that they believe will be most consistent with helping the Fund achieve its investment objective at any given time. PrinREI believes such a strategy will better position the Fund to seek to achieve the investment objective throughout a variety of potential market environments. Among other things, PrinREI believes the Fund may benefit from the recovery in commercial real estate markets by employing this investment strategy. Allocation decisions will rely upon PrinREI's top-down economic analysis and bottom-up assessment of relative value which is informed by individual investment sector experts. Longer-term strategic allocations will be determined based primarily upon PrinREI's macro outlook on the economy, real estate cycle and real estate fundamentals. In addition, shorter-term tactical allocation shifts will be considered based upon a continual assessment of market valuations, quantitative analysis, and technical indicators.

As part of the Fund's investments in CMBS, PrinREI will consider investments in conduit or single borrower transactions (including REMICs), re-REMICs, CMBS interest-only certificates or commercial real estate collateralized debt obligations (CMBS CDOs). The Fund may purchase CMBS issued pursuant to registered offerings or offerings made in reliance on an exemption from registration under the Securities Act. The Fund will limit its investments in CMBS to issuers organized in the United States. The Fund does not impose limits concerning maturity or duration when investing in CMBS or other debt instruments.

As part of the Fund's investments in other real estate-related securities, PrinREI will consider investments in securities of U.S. and non-U.S. companies principally engaged in the real estate industry. For purposes of the foregoing, the Fund considers a real estate-related security to be a security issued by an issuer that has at least 50% of its assets, income or profits derived from products or services related to the real estate industry. These companies include REITs and REIT-like entities, and companies with substantial real estate holdings such as paper, lumber, hotel and entertainment companies as well as those whose products and services relate to the real estate industry such as building supply manufacturers, mortgage lenders, and mortgage servicing companies. The Fund will invest in equity securities (common and preferred) and debt securities of small, medium, and large capitalization companies.

REITs are pooled investment vehicles that invest in income producing real estate, real estate-related loans, or other types of real estate interests. REITs in the United States are corporations or business trusts that are permitted to eliminate corporate level federal income taxes by meeting certain requirements of the Code. REITs generally can be classified among the following three types: equity REITs, which invest the majority of their assets directly in real property and derive their income primarily from rents and capital gains or real estate appreciation; mortgage REITs, which invest the majority of their assets in commercial or residential real estate mortgage loans and derive their income primarily from interest payments; and hybrid REITs, which combine the characteristics of equity REITs and mortgage REITs.

Some foreign countries have adopted REIT structures that are very similar to those in the United States. Similarities include pass through tax treatment and portfolio diversification. Other countries may have REIT structures that are significantly different than the United States or may not have adopted a REIT-like structure at all. The Fund may invest a significant percentage of its portfolio in REITs and REIT-like entities.

The Fund has no limitation on the percentage of assets that are invested in any one country or denominated in any one currency. The Fund will typically have investments located in a number of different countries, including the United States and countries with emerging securities markets.

Up to 20% of the Fund's total assets may be invested in other instruments, including whole commercial mortgage loans and subordinated real estate-related loans, as well as stocks and other equity investments, debt obligations and money market instruments, other investment companies, and derivative instruments that are not real estate-related securities or related to real estate-related securities. Under normal market conditions, the Fund will invest no more than 10% of its total assets in whole commercial mortgage loans and subordinated real estate-related loans. This 10% limitation will not apply to investments in whole commercial mortgage loans and subordinated real estate-related loans that carry a CUSIP or are sold pursuant to Rule 144A of the Securities Act.

The Fund's net asset value will vary and its distribution rate may vary and both may be affected by numerous factors, including changes in the market spread over a specified benchmark, market interest rates and performance of the broader equity markets. Fluctuations in net asset value may be magnified as a result of the Fund's use of leverage. An investment in the Fund may not be appropriate for all investors.

In the event of exceptional market or economic conditions, the Fund may, as a temporary defensive measure, invest all or a substantial portion of its assets in cash, cash-equivalent securities or short-term debt securities. To the extent the Fund assumes a defensive position, it will not be pursuing its investment objective.

The investment policy of the Fund of investing at least 80% of the Fund's total assets in commercial real estate-related securities is non-fundamental and may be changed by the Board of Trustees without shareholder approval. Common Shareholders will, however, receive at least 60 days prior notice of any change in this policy.

Investment Limitations

Investments in a Single CMBS Bond. No investment in an individual CMBS bond may comprise 10% or more of the Fund's total assets.

Credit Threshold. With respect to CMBS deals issued prior to 2009, the Fund may only invest in securities originally rated no lower than "A-" by S&P or Fitch, or "A3" by Moody's. In addition and also with respect to CMBS deals prior to 2009, it is expected that the Fund will invest no more than 20% of its total assets in CMBS securities originally rated lower than "AAA" by S&P or Fitch, or "Aaa" by Moody's. The Fund may invest in debt securities rated below investment grade (i.e., "junk bonds"). Under normal market conditions, it is expected that the Fund will invest no more than 20% of its total assets in debt securities rated CCC+/Caa1 or lower (or equivalent rating). The Fund considers a security's rating to be the second-highest rating assigned by an NRSRO, or the only rating, if rated by only one such NRSRO. "Investment grade" securities are securities rated within the four highest grades based on the foregoing (e.g., rated BBB- or higher by S&P or Fitch, or Baa3 or higher by Moody's, or equivalent ratings from another NRSRO), or unrated securities that PrinREI determines to be of comparable quality.

Lower grade securities may be particularly susceptible to economic downturns. It is likely that an economic recession could severely disrupt the market for such securities and may have an adverse effect on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

These credit threshold policies apply only at the time a security is purchased, and the Fund is not required to dispose of a security if a rating agency or PrinREI downgrades its assessment of that security. In determining whether to retain or sell a security that a rating agency has downgraded, PrinREI may consider such factors as its assessment of the credit quality of the security, the price at which the security could be sold, and the rating, if any, assigned to the security by other NRSROs.

NRSROs, such as Moody's or S&P, are private services that provide ratings of the credit quality of debt obligations. While all issuances of CMBS carry ratings at new issuance, some CMBS issuers have become selective in which NRSROs they utilize to provide such ratings and in some cases have been avoiding certain NRSROs altogether. Ratings assigned by an NRSRO are not absolute standards of credit quality but represent the opinion of the NRSRO as to the quality of the obligation. NRSROs may fail to make timely updates in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. Some CMBS issuances have been downgraded from initial ratings due to changes in rating methodology and changes in the credit quality of the underlying loans. To the extent that the issuer of a security pays an NRSRO for the analysis of its security, an inherent conflict of interest may exist that could affect the reliability of the rating. The integrity of the credit rating system has been questioned by the market. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. PrinREI independently evaluates securities and the ability of the issuers of such securities to pay interest and principal.

Limited Investments in whole commercial mortgage loans and subordinated real estate-related loans. Under normal market conditions, the Fund will invest no more than 10% of its total assets in whole commercial mortgage loans and subordinated real estate-related loans. This 10% limitation will not apply to investments in whole commercial mortgage loans and subordinated real estate-related loans that carry a CUSIP or are sold pursuant to Rule 144A of the Securities Act.

Limited Investments in Mortgage REITs. Under normal market conditions the Fund will invest no more than 10% of its total assets in mortgage REITs.

Limitations on Investments in Principal-Related CMBS Issuances. The Fund may not purchase CMBS from any issuance with respect to which PrinREI or any of its affiliates (i) contributed loans to a CMBS pool, (ii) acts as the servicer for one or more mortgages backing the CMBS, (iii) was involved in the origination of any loan in the CMBS pool, or (iv) is or was in some other manner involved with an underlying CMBS loan, with the exception of previous servicing.

Unless otherwise noted, all investment limitations and restrictions, such as a required minimum or maximum investment in a particular type of security, are measured at the time the Fund purchases a security. The status, market value, credit quality or other characteristics of securities held by the Fund may change after they are purchased, and this may cause the amount of the Fund's total assets invested in such securities to exceed the stated maximum restriction or fall below the stated minimum restriction. If any of these changes occur, it would not be considered a violation of the investment restriction.

PrinREI's CMBS Investment Process

PrinREI's CMBS investment process combines fundamental analysis of the credit risks of the underlying commercial real estate loans with dynamic quantitative modeling of the CMBS transaction structure. PrinREI believes having either qualitative or quantitative capabilities, in isolation, does little to help make sound investment decisions. However, when combined, they provide what PrinREI believes to be a powerful tool for analyzing CMBS in seeking to execute a consistent process that leads to informed investment decisions. In addition, PrinREI benefits from having a fully dedicated CMBS trader and a long history of dealer relationships. These resources aid in the timely execution or implementation of investment decisions.

PrinREI's investment methodology combines extensive commercial real estate experience with a dynamic credit model to internally rate credit risk, identify relative value from a risk-adjusted perspective, assess cash flow volatility and actively manage risk through market cycles.

- Loan-level analysis is received from PrinREI's commercial real estate underwriting staff who review the majority of loans underlying each CMBS pool (based on principal balance).
    - Provides real-time feedback on property, market, competitive profile, tenant quality and overall loan underwriting, including potential stress points in loan performance.
    - Estimates the timing of potential loan defaults and magnitude of losses.
- PrinREI's proprietary CMBS model incorporates qualitative and quantitative inputs to produce distribution statistics at the individual loan and bond levels based upon approximately 2,000 probability-driven economic scenarios.
    - Model incorporates input from PrinREI's research group with respect to current and expected future market conditions in the overall economy and the commercial real estate markets.

- Loan level views from PrinREI's underwriting staff are input into the system.
- Additional loan portfolio performance input from rating agency and issuer feedback is embedded into the analysis.
- Default and loss assumptions are based on internal and external research of the CMBS and commercial mortgage market, factoring in the specific loan level input received from PrinREI's underwriting staff.
- Key outputs include modeled cumulative defaults and losses, internal credit ratings and expected yield-to-maturity, fair value and standard deviation of returns for each bond class.

- The Fund's portfolio manager responsible for this portion of the Fund's portfolio will draw final investment conclusions based upon the CMBS model outputs, CMBS market considerations (e.g. supply/demand fundamentals, market technicals, CMBS market outlook) and portfolio considerations (e.g. portfolio composition, investment objective, suitability).
- PrinREI has a team dedicated to the surveillance of existing CMBS portfolios. The surveillance process includes semi-annual or more frequent reviews of the model assumptions and samples of underlying loans, including analysis of rent rolls and property operating statements and consultation with PrinREI's real estate underwriters. The results of the surveillance process play a key role in identifying potential credit issues which may influence PrinREI's decision to hold or sell a bond.
- The portfolio manager utilizes the ongoing feedback from the surveillance team combined with model updates to help them define fair value of the assets at any given time. The portfolio manager uses this information to determine hold versus sell decisions on individual securities. PrinREI believes this ongoing surveillance also positions PrinREI with better information when bidding on bonds in the secondary market.

PrinREI's Real Estate-Related Securities Investment Process

PrinREI's real estate-related securities investment process begins with the study of opportunities by its dedicated real estate analysts. Each analyst is responsible for identifying attractive investments within his or her coverage universe. This bottom-up approach is accomplished by conducting in-depth company research along with securities valuation. The team conducts extensive fundamental research through management meetings, asset inspections and the study of financial statements and regulatory filings. Common fundamental/qualitative factors studied across companies include:

- Review of the company's assets, including overall quality and competitive positioning.
- Review of the macroeconomic and real estate market conditions and outlook within the company's portfolio.
- Analysis of management's skill and expertise in determining and executing strategy for the company. This includes a review of management teams' history of capital allocation decisions.
- Review of the company's capital structure, including analysis of debt levels and risk/opportunities within the overall balance sheet structure.
- Analysis of the company's business strategy. An evaluation of each company's growth characteristics and relative risk profile.
- Opinion of income durability, and the volatility of cash flows over time.
- Corporate Governance (ESG). A review of the company's commitment to ESG-related factors is undertaken utilizing internal analysis and externally generated ratings.

The team also employs proprietary techniques to analyze each company's valuation. Net asset value calculations are a fundamental component in the valuation review. A standardized net asset value model is completed on each company being considered for portfolio inclusion, and updated regularly as company financial metrics are disclosed or amendments to capital market assumptions (such as capitalization rate) are required. Other valuation techniques are used both as a check on the net asset value work and for studying stocks where regional and company differences dictate alternative techniques be considered.

Security selection and portfolio construction including the determination of country and property type active weights for the global strategy is the responsibility of the Fund's portfolio manager in charge of this portion of the Fund's portfolio. He uses a team-based approach in decision-making, relying on close consultation with senior members of PrinREI's global real estate-related securities team. Collectively, these individuals serve as the portfolio construction team. Investment analysts are responsible for providing continuous buy/sell/hold recommendations for all securities within their coverage universe. Analyst recommendations are reviewed by the portfolio construction team, typically during region-specific calls conducted weekly.

Security selection and sell actions are facilitated through the recommendations of regional team leaders. As part of the deliberation, the portfolio construction team is provided with written company research reports and valuation summaries. In determining the shape and composition of the portfolio, the portfolio construction team will also consider the following tools to varying degrees:

- Proprietary Back Tested Model: PrinREI employs a multi-factor quantitative ranking model in its investment analysis process. This tool utilizes both externally sourced and internally generated data to gauge the attractiveness of individual companies relative to one another. There are 13 separate component models utilized in our global portfolio analysis process, based on geographic region, individual country, and/or differing business models. The models look at various fundamental factors (including among other things demographic data, return on equity and net operating income growth), valuation metrics (including earning's yield and net asset value) and price momentum characteristics.
- Risk Review: PrinREI employs a series of industry standard as well as proprietary reports which gauge the likelihood of a portfolio's return differing significantly from a reference index (i.e. tracking error), the Beta of the portfolio, the index coverage ratio of the portfolio, and other risk-based metrics. PrinREI also studies the risk of individual companies within the portfolio across a number of factors including tenancy exposure, geographic concentration, balance sheet stability, cash flow volatility, and dividend sustainability.
- Attribution analysis: PrinREI studies the effect that individual stock selection and property sector allocations have on portfolio returns utilizing FactSet's P.A.2 system. It also studies the influence that other "style characteristics" have on the portfolio. For example, this analysis may indicate that a portfolio is too heavily concentrated toward large capitalization stocks (or the inverse), over-exposed to companies with above-average balance sheet debt (or the inverse), or how concentrated a portfolio is to high or low dividend yielding stocks.

The final phase of the investment process is execution of the trade idea. Regional trade desks are utilized by the portfolio construction team to help seek to achieve a high level of trade efficiency and execution.

The investment process utilized by PrinREI in managing the Fund's assets is also employed by PrinREI for other clients, and was not designed specifically for the Fund.

Portfolio Investments

CMBS

CMBS are multi-class debt or pass-through or pay-through securities backed by a first-mortgage loan or pool of first-mortgage loans on commercial real estate, such as industrial and warehouse properties, office buildings, retail space and shopping malls, multifamily properties, hotels and motels, nursing homes and medical facilities. Assets underlying CMBS may relate to many properties, only a few properties, or to a single property. Each commercial mortgage loan that underlies a CMBS has certain distinct characteristics.

Many of the CMBS in which the Fund invests are issued in a senior/subordinated structure. In these structures, the senior class investors have greater protection against potential losses on the underlying loans or assets than do the subordinated class investors. In senior/subordinated structures, CMBS are often backed by a pool of first-mortgages representing the obligations of a number of different borrowers. To lessen the effect of a failure by obligors on underlying assets to make payments, such securities may contain elements of credit support. Such credit support falls into two categories: (1) liquidity protection and (2) protection against losses resulting from ultimate default by an obligor on the underlying assets. Liquidity protection generally refers to the provision of advances, typically by the entity administering the pool of assets, to ensure that the pass-through of payments due on the underlying pool occurs in a timely fashion. Protection against losses resulting from ultimate default enhances the likelihood of ultimate payment of the obligations on at least a portion of the assets in the pool. The senior class investors have greater protection against potential losses on the underlying mortgage loans or assets than the subordinated class investors who take the first loss if there are defaults on the underlying commercial mortgage loans. Other protections, which may benefit all of the classes including the subordinated classes, may include issuer guarantees, additional subordinated securities, cross-collateralization, overcollateralization, and the equity in the underlying properties. The Fund does not pay any additional fees for such credit support, although the existence of credit support may increase the price the Fund pays for a security.

Commercial mortgage loans are sometimes non-amortizing and often not fully amortizing. At their maturity date, repayment of the remaining principal balance or "balloon" is due and is repaid through the attainment of an additional loan, the sale of the property or the contribution of additional capital.

Unlike most single family residential mortgages, commercial real estate loans often contain provisions that substantially reduce the likelihood that they will be prepaid prior to maturity. The provisions generally impose significant prepayment penalties on loans and, in some cases, there may be prohibitions on principal prepayments for several years following origination.

Changing real estate markets may adversely affect both the value of the underlying collateral and the borrower's ability to meet contractual obligations, either of which may lead to delinquencies, defaults, modifications or foreclosure that in turn may lead to the realization of losses in CMBS.

CMBS have been issued in public and private transactions by a variety of public and private issuers. The Fund may from time to time purchase CMBS directly from issuers in negotiated or non-negotiated transactions or from a holder of such CMBS in the secondary market.

REITs

REITs are typically publicly traded corporations or trusts that invest in residential or commercial real estate. REITs generally can be divided into the following three types: (i) equity REITs which invest the majority of their assets directly in real property and derive their income primarily from rents and capital gains or real estate appreciation; (ii) mortgage REITs which invest the majority of their assets in real estate mortgage loans and derive their income primarily from interest payments; and (iii) hybrid REITs which combine the characteristics of equity REITs and mortgage REITs. The Fund can invest in common stock, preferred stock, debt securities and convertible securities issued by REITs.

Commercial Mortgage Loans

The Fund may invest in whole commercial mortgage loans structured in a variety of ways that provide different types of risk, reward, and investment experience. The Fund may lend money directly to the borrower of such loans, or may acquire loans in secondary market transactions. See "Risks — Risks Associated with Direct Ownership of Real Estate Loans" for more information regarding the risks associated with the various types of loans that may be owned by the Fund.

Generally. Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower.

B-Notes. A b-note is a mortgage loan typically (i) secured by a first mortgage on a single large commercial property or group of related properties and (ii) subordinated to an a-note secured by the same first mortgage on the same collateral. As a result, if a borrower defaults, there may not be sufficient funds remaining to repay b-note holders after payment to the a-note holders. Since each transaction is privately negotiated, b-notes can vary in their structural characteristics and risks. For example, the rights of holders of b-notes to control the process following a borrower default may be limited in certain investments. The Fund cannot predict the terms of each b-note investment. Further, b-notes typically are secured by a single property, and so reflect the increased risks associated with a single property compared to a pool of properties.

Mezzanine Loans. The Fund may invest in mezzanine loans that take the form of subordinated loans secured by a pledge of the ownership interests of either the entity owning the real property or an entity that owns (directly or indirectly) the interest in the entity owning the real property. These types of investments may involve a higher degree of risk than long-term senior mortgage lending secured by income-producing real property because the investment may become unsecured as a result of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, the Fund may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to satisfy the Fund's mezzanine loan. If a borrower defaults on the Fund's mezzanine loan or debt senior to the Fund's loan, or in the event of a borrower bankruptcy, the Fund's mezzanine loan will be satisfied only after the senior debt. As a result, the Fund may not recover some or all of its investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the real property and increasing the risk of loss of principal.

CMBS Interest-Only Certificates

The Fund may invest in CMBS interest-only certificates ("IOs"). CMBS IOs receive no payments of principal from the underlying mortgage assets. IO class payments are derived by the excess interest that exists due to a higher weighted average coupon on the underlying mortgages than the weighted average coupon on the corresponding CMBS bonds. The notional amount of the IO bonds will equal the certificate balance of all or a portion of the other CMBS classes of the same issuance. The yields to maturity on IOs are very sensitive to the rate of principal payments (including prepayments) and defaults on the related underlying mortgage assets. If the underlying mortgage assets experience greater than anticipated prepayments of principal or defaults, the Fund may not fully recoup its initial investment in IOs.

Below Investment Grade Bonds

The Fund may invest in CMBS and other fixed-income securities that are rated or determined by PrinREI to be "below investment grade" quality ("junk bonds"). The credit quality of most junk bonds reflects a greater than average possibility that adverse changes in the real estate markets, or in general economic conditions, or both, may impair the ability of the borrowers to make payments of interest and principal on the loans backing the CMBS. The inability (or perceived inability) of borrowers to make timely payment of interest and principal would likely make the values of junk bonds held by the Fund more volatile and could limit the Fund's ability to sell such bonds at favorable prices. In the absence of a liquid trading market for its junk bonds, the Fund may have difficulties determining the fair market value of such investments.

Fixed-Income Securities

The Fund may also invest in other fixed-income securities, including corporate bonds and notes, U.S. and foreign government securities and affiliated and unaffiliated money market securities.

Common Stock

Common stock generally represents an equity ownership interest in an issuer. Although common stocks have historically generated higher average total returns than fixed-income securities over the long term, common stocks also have experienced significantly more volatility in those returns and may underperform relative to fixed-income securities during certain periods. An adverse event, such as an unfavorable earnings report, may depress the value of a particular common stock held by the Fund. Also, prices of common stocks are sensitive to general movements in the stock market and a drop in the stock market may depress the price of common stocks to which the Fund has exposure. Common stock prices fluctuate for several reasons including changes in investors' perceptions of the financial condition of an issuer or the general condition of the relevant stock market, or the occurrence of political or economic events which effect the issuers. In addition, common stock prices may be particularly sensitive to rising interest rates, which increases borrowing costs and the costs of capital.

Preferred Stock

Preferred stock, which generally pays fixed or adjustable rate dividends or interest to investors, has preference over common stock in the payment of dividends or interest and the liquidation of a company's assets, which means that a company typically must pay dividends or interest on its preferred stock before paying any dividends on its common stock. On the other hand, preferred stock is junior to all forms of the company's debt, including both senior and subordinated debt. Because of its subordinated position in the capital structure of an issuer, the ability to defer dividend or interest payments for extended periods of time without adverse consequences to the issuer, and certain other features, preferred stock is often treated as an equity-like instrument by both issuers and investors, as its quality and value is heavily dependent on the profitability and cash flows of the issuer rather than on any legal claims to specific assets.

Convertible Securities

Convertible securities are hybrid securities that combine the investment characteristics of bonds and common stocks. Convertible securities typically consist of debt securities or preferred securities that may be converted within a specified period of time (typically for the entire life of the security) into a certain amount of common stock or other equity security of the same or a different issuer at a predetermined price. They also include debt securities with warrants or common stock attached and derivatives combining features of debt securities and equity securities. Convertible securities entitle the holder to receive interest paid or accrued on debt securities, or dividends paid or accrued on preferred to securities, until the securities mature or are redeemed, converted or exchanged.

Other Investment Companies

The Fund may invest a portion of its assets in securities of other open- or closed-end investment companies (including ETFs) that invest primarily in securities of the types in which the Fund may invest directly. As a shareholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's management fees with respect to assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. PrinREI will take expenses into account when evaluating the merits of an investment in an investment company relative to available security investments.

Portfolio Turnover

The Fund may engage in short-term trading. This means that the Fund may buy a security and sell that security a short period of time after its purchase to realize gains if the portfolio manager believes that the sale is in the best interest of the Fund (for example, if the portfolio manager believes an alternative investment has greater growth potential). This activity will increase the Fund's portfolio turnover rate and generate higher transaction costs due to commissions or dealer markups and other expenses that would reduce the Fund's investment performance. In addition, a high level of short-term trading may increase the amount of taxable distributions to shareholders that would reduce the after-tax returns of the Fund, and in particular may generate short-term capital gains that when distributed to shareholders are taxed at ordinary income tax rates.

Cash Position

The Fund may not always stay fully invested. For example, when the portfolio manager believes that market conditions are unfavorable for profitable investing, or when he is otherwise unable to locate attractive investment opportunities, the Fund's cash or similar investments may increase. In other words, cash or similar investments generally are a residual — they represent the assets that remain after the Fund has committed available assets to desirable investment opportunities. When the Fund's investments in cash or similar investments increase, it may not participate in market advance or declines to the same extent that it would if the Fund remained more fully invested.

Corporate Bonds and Other Debt Securities

The Fund may also invest in corporate bonds, debentures and other debt securities of companies in other industries and sectors. Debt securities in which the Fund may invest may pay fixed or variable rates of interest. Bonds and other debt securities generally are issued by corporations and other issuers to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and normally must repay the amount borrowed on or before maturity. Certain debt securities are "perpetual" in that they have no maturity date.

The Fund may invest in corporate bonds including below investment grade quality (e.g., rated below BBB- by S&P or below Baa3 by Moody's, or unrated securities that PrinREI considers to be their equivalent), commonly known as "junk bonds" ("Non-Investment Grade Bonds"). Investments in Non-Investment Grade Bonds generally provide greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and principal and income risk, including the possibility of issuer default and bankruptcy. Non-Investment Grade Bonds are regarded as predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. Debt securities in the lowest investment grade category also may be considered to possess some speculative characteristics by certain NRSROs. In addition, analysis of the creditworthiness of issuers of Non-Investment Grade Bonds may be more complex than for issuers of higher quality securities.

Non-Investment Grade Bonds may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in Non-Investment Grade Bond prices because the advent of recession could lessen the ability of an issuer to make principal and interest payments on its debt obligations. If an issuer of Non-Investment Grade Bonds defaults, in addition to risking payment of all or a portion of interest and principal, the Fund may incur additional expenses to seek recovery. In the case of Non-Investment Grade Bonds structured as zero-coupon, step-up or payment-in-kind securities, their market prices will normally be affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities which pay interest currently and in cash. PrinREI seeks to reduce these risks through diversification, credit analysis and attention to current developments in both the economy and financial markets.

The secondary market on which Non-Investment Grade Bonds are traded may be less liquid than the market for investment grade securities. Less liquidity in the secondary trading market could adversely affect the net asset value of the Shares. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of Non-Investment Grade Bonds, especially in a thinly traded market. When secondary markets for Non-Investment Grade Bonds are less liquid than the market for investment grade securities, it may be more difficult to value the securities because such valuation may require more research, and elements of judgment may play a greater role in the valuation because there is no reliable, objective data available. During periods of thin trading in these markets, the spread between bid and asked prices is likely to increase significantly and the Fund may have greater difficulty selling these securities. The Fund will be more dependent on PrinREI's research and analysis when investing in Non-Investment Grade Bonds. PrinREI seeks to minimize the risks of investing in all securities through in-depth credit analysis and attention to current developments in interest rate and market conditions.

A general description of the ratings of securities by S&P, Moody's and Fitch is set forth in Appendix A to the SAI. Such ratings represent these rating organizations' opinions as to the quality of the securities they rate. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, debt obligations with the same maturity, coupon and yield may have different ratings. For these reasons, the use of credit ratings as the sole method of evaluating Non-Investment Grade Bonds can involve certain risks. For example, credit ratings evaluate the safety or principal and interest payments, not the market value risk of Non-Investment Grade Bonds. Also, credit rating agencies may fail to change credit ratings in a timely fashion to reflect events since the security was last rated. PrinREI does not rely solely on credit ratings when selecting securities for the Fund, and develops its own independent analysis of issuer credit quality.

In the event that a NRSRO or PrinREI downgrades its assessment of the credit characteristics of a particular issue, the Fund is not required to dispose of such security. In determining whether to retain or sell a downgraded security, PrinREI may consider such factors as its assessment of the credit quality of the issuer of such security, the price at which such security could be sold and the rating, if any, assigned to such security by other NRSROs. However, analysis of the creditworthiness of issuers of Non-Investment Grade Bonds may be more complex than for issuers of higher quality debt securities.

Asset-Backed Securities

In addition to CMBS, the Fund may invest in other types of asset-backed securities. Asset-backed securities are securities that directly or indirectly represent interests in, or are secured by and payable from, an underlying pool of assets such as (but not limited to) first lien mortgages, motor vehicle installment sale contracts, other installment sale contracts, home equity loans, leases of various types of real and personal property, and receivables from revolving credit (i.e., credit card) agreements and trade receivables. Such assets are securitized through the use of trusts and special purpose corporations. Asset-backed securities may provide periodic payments that consist of interest and/or principal payments. Consequently, the life of an asset-backed security varies with the prepayment and loss experience of the underlying assets.

The Fund may also invest in residual interests in asset-backed securities. In the case of asset-backed securities issued in a pass-through structure, the cash flow generated by the underlying assets is applied to make required payments on the securities and to pay related administrative expenses. The residual in an asset-backed security pass-through structure represents the interest in any excess cash flow remaining after making the foregoing payments. The amount of residual cash flow resulting from a particular issue of asset-backed securities will depend on, among other things, the characteristics of the underlying assets, the coupon rates on the securities, prevailing interest rates, the amount of administrative expenses and the actual prepayment experience on the underlying assets. Asset-backed security residuals not registered under the Securities Act may be subject to certain restrictions on transferability. In addition, there may be no liquid market for such securities.

Temporary Investments

During unusual market circumstances, the Fund may invest temporarily in cash, money market securities, money market mutual funds or cash equivalents, which may be inconsistent with the Fund's investment objective. Cash equivalents are highly liquid, short-term securities such as commercial paper, time deposits, certificates of deposit, short-term notes and short-term U.S. Government obligations.

Illiquid Securities

The Fund may invest in securities for which there is no readily available trading market or are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(2) of the Securities Act and securities eligible for resale pursuant to Rule 144A thereunder.

It may be difficult to sell such securities at a price representing their fair value until such time as such securities may be sold publicly. Where registration is required, a considerable period may elapse between a decision to sell the securities and the time when it would be permitted to sell. Thus, the Fund may not be able to obtain as favorable a price as that prevailing at the time of the decision to sell. The Fund may also acquire securities through private placements under which it may agree to contractual restrictions on the resale of such securities. Such restrictions might prevent their sale at a time when such sale would otherwise be desirable.

Derivatives

Swap Transactions. The Fund may enter into total return, interest rate and credit default swap agreements. The Fund may enter into swap transactions for any purpose consistent with its investment objectives and strategies, such as for the purpose of attempting to obtain or preserve a particular return or spread at a lower cost than obtaining a return or spread through purchases and/or sales of instruments in other markets, as a duration management technique, to reduce risk arising from the ownership of a particular instrument, or to gain exposure to certain sectors or markets in the most economical way possible.

Swap agreements are two-party contracts entered into primarily by institutional investors for a specified period of time. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return or value derived from the returns) earned or realized on a particular predetermined asset, reference rate or index. The gross returns to be exchanged or swapped between the parties are generally calculated with respect to a notional amount, e.g., the return on or increase in value of a particular dollar amount invested at a particular interest rate or in a basket of securities representing a particular index. The notional amount of the swap agreement generally is only used as a basis upon which to calculate the obligations that the parties to the swap agreement have agreed to exchange. The Fund's current obligations under a net swap agreement will be accrued daily (offset against any amounts owed to the Fund) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by assets determined to be liquid by PrinREI.

Some, but not all, swaps may be cleared, in which case a central clearing counterparty stands between each buyer and seller and effectively guarantees performance of each contract, to the extent of its available resources for such purpose. Uncleared swaps have no such protection; each party bears the risk that its direct counterparty will default.

Interest Rate Swaps, Caps, Collars and Floors. Interest rate swaps are bilateral contracts in which each party agrees to make periodic payments to the other party based on different referenced interest rates (e.g., a fixed rate and a floating rate) applied to a specified notional amount. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor. The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index rises above a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. Interest rate collars involve selling a cap and purchasing a floor or vice versa to protect the Fund against interest rate movements exceeding given minimum or maximum levels.

In December 2012, the Commodity Futures Trading Commission ("CFTC") issued a final rule which requires certain interest rate swaps to be centrally cleared. Such clearing requirement may affect the Fund's ability to negotiate individualized terms and/or may increase the costs of entering into such derivative transactions (for example, by increasing margin or capital requirements).

Total Return Swaps. In a total return swap, one party agrees to pay the other the "total return" of a defined underlying asset during a specified period, in return for periodic payments based on a fixed or variable interest rate or the total return from other underlying assets. A total return swap may be applied to any underlying asset but is most commonly used with equity indices, single stocks, bonds and defined baskets of loans and mortgages. The Fund might enter into a total return swap involving an underlying index or basket of securities to create exposure to a potentially widely-diversified range of securities in a single trade. An index total return swap can be used by PrinREI to assume risk, without the complications of buying the component securities from what may not always be the most liquid of markets.

Credit Default Swaps. A credit default swap is a bilateral contract that enables an investor to buy or sell protection against a defined-issuer credit event. The Fund may enter into credit default swap agreements either as a buyer or a seller. The Fund may buy protection to attempt to mitigate the risk of default or credit quality deterioration in an individual security or a segment of the fixed income securities market to which it has exposure, or to take a "short" position in individual bonds or market segments which it does not own. The Fund may sell protection in an attempt to gain exposure to the credit quality characteristics of particular bonds or market segments without investing directly in those bonds or market segments.

As the buyer of protection in a credit default swap, the Fund would pay a premium (by means of an upfront payment or a periodic stream of payments over the term of the agreement) in return for the right to deliver a referenced bond or group of bonds to the protection seller and receive the full notional or par value (or other agreed upon value) upon a default (or similar event) by the issuer(s) of the underlying referenced obligation(s). If no default occurs, the protection seller would keep the stream of payments and would have no further obligation to the Fund. Thus, the cost to the Fund would be the premium paid with respect to the agreement. If a credit event occurs, however, the 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. The Fund bears the risk that the protection seller may fail to satisfy its payment obligations.

If the Fund is a seller of protection in a credit default swap and no credit event occurs, the Fund would generally receive an up-front payment or a periodic stream of payments over the term of the swap. If a credit event occurs, however, generally the Fund would have to 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. As the protection seller, the Fund effectively adds leverage to its portfolio because, in addition to being subject to investment exposure on its assets, the Fund is subject to investment exposure on the notional amount of the swap. Thus, the Fund bears the same risk as it would by buying the reference obligations directly, plus the additional risks related to obtaining investment exposure through a derivative instrument.

In December 2012, the CFTC issued a final rule which requires index-based credit default swaps to be centrally cleared. Such clearing requirement may affect the Fund's ability to negotiate individualized terms and/or may increase the costs of entering into such credit default swap transactions (for example, by increasing margin or capital requirements). Clearing mandates with respect to other types of credit default swaps have not yet been issued by the regulators, but could have additional impact on the Fund's ability to use credit default swap transactions as part of its investment strategy.

Futures and Options on Futures. The Fund may buy and sell futures contracts that relate to (1) foreign currencies, (2) interest rates, (3) stock indices and other baskets of securities, and (4) individual securities. The Fund also may buy and write options on the futures contracts in which it may invest ("futures options") and may write straddles, which consist of a call and a put option on the same futures contract. A futures contract is an agreement between two parties to buy and sell a security, index, interest rate or currency (each a "financial instrument") for a set price on a future date. Certain futures contracts, such as futures contracts relating to individual securities, call for making or taking delivery of the underlying financial instrument. However, these contracts generally are closed out before delivery by entering into an offsetting purchase or sale of a matching futures contract (same exchange, underlying financial instrument, and delivery month). Other futures contracts, such as futures contracts on interest rates and indices, do not call for making or taking delivery of the underlying financial instrument, but rather are agreements pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of the financial instrument at the close of the last trading day of the contract and the price at which the contract was originally written. These contracts also may be settled by entering into an offsetting futures contract. The Fund may only enter into futures contracts and futures options which are standardized and traded on a U.S. or foreign exchange, board of trade or similar entity, or quoted on an automated quotation system.

Forward Currency Contracts and other Foreign Currency Transactions. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded directly between currency traders (usually large commercial banks) and their customers. Unlike futures contracts, which are standardized contracts, forward contracts can be specifically drawn to meet the needs of the parties that enter into them. The parties to a forward currency contract may agree to offset or terminate the contract before its maturity, or may hold the contract to maturity and complete the contemplated exchange. Because forward contracts are not traded on an exchange, the Fund is subject to the credit and performance risk of the counterparties to such contracts.

Certain currency derivatives are subject to regulation under the Dodd-Frank Act. Potential rule-making with respect to such derivatives could affect the cost of such derivatives or otherwise restrict the fund's ability to effectively use currency derivatives.

Forward Rate Contracts. The Fund may also utilize forward rate contracts. Under forward rate contracts, the buyer locks in an interest rate at a future settlement date. If the interest rate on the settlement date exceeds the lock rate, the buyer pays the seller the difference between the two rates. If the lock rate exceeds the interest rate on the settlement date, the seller pays the buyer the difference between the two rates.

Covered Calls. The Fund currently expects to write call options with the purpose of generating realized gains or reducing the Fund's ownership of certain securities. The Fund will only write call options on securities that the Fund holds in its portfolio (i.e., covered calls) and no more than 50% of the

Fund's assets attributable to equity securities will be subject to covered call options at any given time. A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If the Fund writes a call option on a security, the Fund will have the obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When the Fund writes a call option, an amount equal to the premium the Fund receives will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Fund as realized gains from investments on the expiration date. If the Fund repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has realized a gain or loss. As the writer of the option, the Fund bears the market risk of an unfavorable change in the price of the security underlying a written option.

Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreements. Under a reverse repurchase agreement, the Fund temporarily transfers possession of a portfolio instrument to another party, such as a bank or broker-dealer, in return for cash. At the same time, the Fund agrees to repurchase the instrument at an agreed upon time (normally within seven days, or within thirty days if used as a primary source of leverage) and price, which reflects an interest payment. The Fund may enter into such agreements when it is able to invest the cash acquired at a rate higher than the cost of the agreement, which would increase earned income.

When the Fund enters into a reverse repurchase agreement, any fluctuations in the market value of either the securities transferred to another party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets. As a result, such transactions may increase fluctuations in the market value of the Fund's assets. There is a risk that large fluctuations in the market value of the Fund's assets could affect net asset value. Because reverse repurchase agreements may be considered to be the practical equivalent of borrowing funds, they constitute a form of leverage. Such agreements will be treated as subject to investment restrictions regarding borrowings. If the Fund reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the Fund's yield.

LEVERAGE

The Fund generally will seek to enhance the level of its cash distributions to Common Shareholders through the use of leverage, which may include, for example, Borrowings, the issuance of preferred shares, and the use of derivatives or certain investment techniques. Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings and the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets) ("Limited Leverage"). However, based on market conditions at the time, the Fund may use such leverage in amounts that represent less than 33⅓% of the Fund's total assets. The Fund currently anticipates that leverage will initially be obtained through bank borrowings or other similar term loans (see "Description of Capital Structure — Credit Facility"), and/or through reverse repurchase obligations (see "Investment Objective and Principal Investment Strategies — Portfolio Investments — Reverse Repurchase Agreements"). The Fund expects to invest the net proceeds derived from any use of leverage according to the investment objective and policies described in this Prospectus.

Notwithstanding the 33⅓% limit discussed above, the Fund may enter into derivatives or other transactions (e.g., credit default swaps and total return swaps) that may provide leverage (other than Limited Leverage), but which are not subject to the foregoing 33⅓% limitation, if the Fund earmarks or segregates liquid assets (or enters into offsetting positions) in accordance with applicable SEC regulations and interpretations to cover its obligations under those transactions and instruments. The Fund will not enter into any such transaction if it would result in the Fund having total leverage (i.e., Limited Leverage plus any leverage incurred through these additional transactions) in excess of 40% of the Fund's total assets. These additional transactions will not cause the Fund to pay higher advisory or administration fee rates than it would pay in the absence of such transactions, although the dollar amount of these fees payable by the Fund will increase and decrease along with increases to and decreases in the value of the Fund's total assets. In addition, these transactions will entail additional expenses (e.g., transaction costs) which will be borne by the Fund. These types of transactions have the potential to increase returns to Common Shareholders, but they also involve additional risks. This additional leverage will increase the volatility of the Fund's investment portfolio and could result in larger losses than if the transactions were not entered into. However, to the extent that the Fund enters into offsetting transactions or owns positions covering its obligations, the leveraging effect is expected to be minimized or eliminated. See "Investment Objective and Principal Investment Strategies" regarding the use of derivative instruments.

The Board of Trustees has the ultimate authority regarding the type of leverage used by the Fund and the extent to which they are employed, and makes these decisions based upon recommendations from ALPS and PrinREI. ALPS will generally recommend that the Fund utilize leverage to a lesser extent (or not utilize leverage at all) if they anticipate that a greater use of leverage would result in a lower return to Common Shareholders over time. Successful use of leverage may depend on ALPS's and PrinREI's ability to predict correctly interest rates and market movements, and there can be no assurance you that a leveraging strategy will be successful during any period in which it is employed.

Leverage creates risk for Common Shareholders, including the likelihood of greater volatility of net asset value and market price of the Common Shares, and the risk of fluctuations in dividend rates or interest rates on leverage which may affect the return to the holders of Common Shares or may result in fluctuations in the dividends paid by the Fund on Common Shares. To the extent the return on securities purchased with funds received from leverage exceeds their cost (including increased expenses to the Fund), the Fund's total return will be greater than if leverage had not been used. Conversely, if the return derived from such securities is less than the cost of leverage (including increased expenses to the Fund), the Fund's total return will be less than if leverage had not been used, and therefore, the amount available for distribution to Common Shareholders will be reduced. In the latter case, the Board of

Trustees, based upon recommendations from ALPS and PrinREI, nevertheless may determine to maintain the Fund's use of leverage if they expect that the long-term benefits of so doing will outweigh the near-term impact of the reduced return to Common Shareholders.

Leverage creates a greater risk of loss, as well as potential for more gain, for the Common Shares than if leverage is not used. Changes in the value of the Fund's portfolio (including investments bought with the proceeds of leverage) will be borne entirely by the Common Shareholders. If there is a net decrease (or increase) in the value of the Fund's investment portfolio, the leverage will decrease (or increase) the net asset value per share to a greater extent than if the Fund were not leveraged. Furthermore, the Common Shares will be junior in liquidation and distribution rights to any form of leverage. For additional information regarding the risks associated with the use of leverage, see "Risks — Risks Related to the Fund's Use of Leverage."

The fees paid to ALPS, PrinREI and AFS will be calculated on the basis of the Fund's total assets including proceeds from Limited Leverage up to an amount representing 33⅓% of the Fund's total assets (any other leverage in excess of such amount will not impact the calculation of fees). During periods in which the Fund uses Limited Leverage, the investment management fee payable to ALPS for investment advisory services, to PrinREI for subadvisory services, and to AFS for administrative services will be higher than if the Fund did not use Limited Leverage. Consequently, the Fund and ALPS and PrinREI may have differing interests in determining whether to employ Limited Leverage. The Board of Trustees monitors the Fund's use of leverage and this potential conflict.

Borrowings

The Fund's Borrowings may include obtaining loans from banks or other financial institutions, entering into reverse repurchase agreements, and issuing senior notes or similar debt securities. The Fund may secure any such Borrowings by mortgaging, pledging or otherwise subjecting as security the Fund's assets.

In connection with any bank borrowings, the Fund may be required to maintain minimum average balances with the lender or to pay a commitment or other fee to maintain a revolving credit facility. Any such requirements will increase the cost of borrowing over the stated interest rate. For additional information about bank borrowings, including by means of a credit facility, please see "Description of Capital Structure — Credit Facility."

The rights of the Fund's lenders to receive interest on and repayment of principal of any bank borrowings will be senior to those of the Common Shareholders. In an event of default under any bank borrowing, the lenders also may have the right to cause a liquidation of collateral (i.e., sell securities in the Fund's portfolio and other assets) and, if any such default is not cured, the lenders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, the Fund may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales.

The Fund may also borrow money as a temporary measure for extraordinary or emergency purposes, including the payment of dividends, the settlement of securities transactions, and the repayment of leverage obligations which become due, which otherwise might require untimely dispositions of the Fund's securities.

Preferred Shares

The terms of any preferred shares issued by the Fund, including the dividend rate, voting rights, liquidation preference and redemption provisions of such stock, will be determined by the Board of Trustees (subject to applicable law and the Fund's declaration of trust) if and when it authorizes the preferred shares. For additional information about preferred shares, please see "Description of Capital Structure — Preferred Shares." The Fund has no present intention to issue preferred shares.

In addition to the 1940 Act requirements regarding preferred shares, discussed below, the terms of any preferred shares may include asset coverage maintenance provisions, which could require the redemption of the preferred shares in the event of non-compliance with those requirements by the Fund, and may also prohibit dividends on the Common Shares in such circumstances.

Certain 1940 Act Restrictions

Under the 1940 Act, the Fund, immediately after issuing any senior securities representing indebtedness, must have an "asset coverage" of at least 300%. With respect to such issuance, asset coverage means the ratio which the value of the Fund's total assets, less all liabilities and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of senior securities representing indebtedness issued by the Fund. Under the 1940 Act, the Fund is not permitted to issue any senior securities in the form of stock, e.g., preferred shares, unless immediately after such issuance the value of its total assets less all liabilities and indebtedness not represented by senior securities is at least 200% of the sum of the liquidation value of the outstanding preferred shares plus the aggregate amount of senior securities representing indebtedness. In addition, the Fund is not permitted to declare any cash dividend or distribution on its Common Shares unless, at the time of such declaration, its preferred shares plus senior securities representing indebtedness has an asset coverage of at least 200%. The Fund intends, to the extent possible, to maintain asset coverage on any such preferred shares plus senior securities representing indebtedness of at least 200%. If necessary, the Fund will purchase or redeem any of its preferred shares or senior securities representing indebtedness to maintain an asset coverage ratio of at least 200%. If the Fund has preferred shares outstanding, two of the Fund's trustees will be elected by the holders of preferred shares as a class. The Fund's remaining trustees will be elected by Common Shareholders and holders of the Fund's preferred shares voting together as a single class. In the event that the Fund fails to pay dividends on its preferred shares for two years, holders of preferred shares would be entitled to elect a majority of the Fund's trustees.

Under the 1940 Act, with respect to senior securities evidencing indebtedness, the Fund may not declare any dividend (except a dividend payable in the Fund's stock) or other distribution on any class of capital stock, or purchase any such capital stock, unless the Fund's aggregate indebtedness has, at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 300% after declaring the amount of such dividend (or 200% with respect to dividends on preferred stock), distribution or purchase price, as the case may be. With respect to senior securities in the form of stock, the Fund may not declare any dividend (except a dividend payable in Fund's Common Shares) or other distribution on the Fund's Common Shares, or purchase of any such Common Shares, unless the class of senior security has at the time of the declaration of any such dividend or distribution, or at the time of any such purchase, an asset coverage of at least 200% after declaring the amount of such dividend, distribution or purchase price, as the case may be.

The 1940 Act defines "senior security" as any bond, debenture, note or similar obligation or instrument constituting a security and evidencing indebtedness, and any stock of a class having priority over any other class as to distribution of assets or payment of dividends. "Senior security representing indebtedness" means any senior security other than stock.

Private bank loans and similar borrowings are not subject to the 1940 Act's restrictions on senior securities if the loan is for temporary purposes only and in an amount not exceeding 5% the Fund's total assets at the time the loan is made.

Additional Restrictions on Bank Borrowings and Preferred Shares

Lenders, NRSROs, and/or the Fund may impose additional restrictions on bank borrowings or the issuance of preferred shares beyond those required under the 1940 Act. For example, with respect to bank borrowings or preferred shares, there may be affirmative covenants relating to asset coverage and portfolio composition, and there may be special restrictions on certain of the Fund's activities (including the use of various investment techniques or strategies) or on its ability to pay dividends on Common Shares in certain circumstances. In addition, the Fund may be subject to certain negative covenants relating to transactions with affiliates, mergers and consolidations among others. It is not anticipated that these covenants or restrictions will significantly impede ALPS and PrinREI from managing the Fund's portfolio in accordance with the Fund's investment objective and policies.

Other Leverage Considerations

If the Fund is unable to pay or otherwise refinance its leverage-related obligations when they become due, the Fund may be forced to liquidate portfolio assets to repay such obligations. Such liquidations would cause the Fund to incur related transaction costs and could result in capital losses. Further, if the Fund does not repay the leverage obligations when they are due, that may trigger an event of default or similar occurrence under the terms of the relevant documents, which may have adverse consequences on the Fund. For example, with respect to bank borrowings, there could be an increase in the interest rate payable by the Fund. Other consequences could include the lender or other counterparty receiving additional rights under the relevant documents, and a higher dividend rate required to be paid on any preferred shares.

Tax Considerations

To qualify for federal income taxation as a "regulated investment company," the Fund must distribute in each taxable year at least 90% of its net investment income (including net interest income and net short-term gain). The Fund also will be required to distribute annually substantially all of its income and capital gain, if any, to avoid imposition of a nondeductible 4% federal excise tax. If the Fund is precluded from making distributions on the Common Shares because of any applicable asset coverage requirements, the terms of the preferred shares may provide that any amounts so precluded from being distributed, but required to be distributed for the Fund to meet the distribution requirements for qualification as a regulated investment company, will be paid to the holders of the preferred shares as a special dividend. This dividend can be expected to decrease the amount that holders of preferred shares would be entitled to receive upon redemption or liquidation of their shares.

Assuming the utilization of leverage in the form of borrowings in the amount of 33⅓% of the Fund's total assets (or approximately 50% of the Fund's net assets) and an annual interest rate on such borrowings of 1.05% based on market rates as of the date of this Prospectus, the additional income that the Fund must earn (net of expenses) in order to cover such interest payments is 0.35%. The Fund's actual cost of leverage will be based on market rates at the time the Fund undertakes a leveraging strategy, and such actual cost of leverage may be higher or lower than that assumed in the previous example.

Effects of Leverage

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in the Fund's portfolio) of minus 10% to plus 10%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio total returns experienced or expected to be experienced by us. Further, the assumed investment portfolio total returns are after (net of) all of the Fund's expenses other than expenses associated with leverage); but such leverage expenses are deducted when determining the Common Share return. See "Risks." The table further reflects the use of Limited Leverage representing 33⅓% of the Fund's total assets and estimated leverage costs of 0.53%.

Assumed portfolio return (net of expenses)	(10)%	(5)%	0%	5%	10%
Corresponding Common Share return	(15.53)%	(8.03)%	(0.53)%	6.98%	14.48%

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

Holders of preferred shares will be entitled to a pre-determined dollar amount of dividends and a fixed dollar amount upon liquidation of the Fund prior to the payment of any dividends or liquidation amounts to Common Shareholders. As a result, the effect of the additional advisory fees and administrative fees attributable to the increase in total assets resulting from any issuance of preferred shares will be borne entirely by Common Shareholders through a reduction of income available for distribution to Common Shareholders and possibly a reduction in the net asset value per Common Share.

Until the Fund issues preferred shares or engages in Borrowing, the Common Shares will not be leveraged, and the risks and special considerations related to leverage described in this Prospectus will not apply. The benefits of the leveraging of the Common Shares cannot be achieved until the proceeds resulting from the use of leverage have been invested in accordance with the Fund's investment objective and investment strategies.

RISKS

Investing in the Fund involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. Therefore, you should consider carefully the following risks before investing in the Fund.

No Operating History

The Fund is a closed-end investment company with no history of operations and is designed for long-term investors and not as a trading vehicle.

Investment and Market Risk

An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in Common Shares represents an indirect investment in the securities owned by the Fund, which are generally traded on a securities exchange or in the over-the-counter markets. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The Common Shares at any point in time may be worth less than the original investment, even after taking into account any reinvestment of dividends and distributions.

Risk of Loss

Investments in securities carry the risk of the loss of capital. Depending upon the investment strategies employed and market conditions, the Fund may be adversely affected by unforeseen events involving such matters as political crises, changes in interest rates and forced redemptions of securities. No guarantee or representation is made that the Fund's investment program will be successful. The performance of PrinREI and its affiliates' prior investments are not necessarily indicative of the Fund's future results. While PrinREI intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that targeted returns will be achieved. On any given investment, loss of principal is possible. Control over the day-to-day operation of the Fund will be vested entirely with ALPS and PrinREI, and the Fund's future profitability will depend largely upon the business and investment acumen of PrinREI. The loss of service of one or more employees of PrinREI could have an adverse effect on the Fund's ability to realize its investment objective.

Risks Associated With Recent Adverse Developments In The Mortgage Finance And Credit Markets

Volatile market conditions for mortgages and mortgage-related assets. The Fund's results of operations are materially affected by conditions in the markets for mortgages and mortgage-related assets, including CMBS, as well as the broader financial markets and the economy generally. Beginning in the summer of 2007, significant adverse changes in financial market conditions resulted in a deleveraging of the entire global financial system and the forced sale of large quantities of mortgage-related and other financial assets. Concerns over economic recession, geopolitical issues, unemployment, the availability and cost of financing, the mortgage market and a declining real estate market contributed to increased volatility and diminished expectations for the economy and markets. As a result of these conditions, many traditional mortgage investors suffered severe losses in their residential mortgage portfolios and several major market participants failed or have been impaired, resulting in a significant contraction in market liquidity for mortgage-related assets. This illiquidity negatively affected both the terms and availability of financing for all mortgage-related assets. Increased volatility and deterioration in the markets for mortgages and mortgage-related assets as well as the broader financial markets may adversely affect the performance and market value of the Fund's CMBS. If these conditions occur, institutions from which the Fund seeks financing for the Fund's investments may tighten their lending standards or become insolvent, which could make it more difficult for the Fund to obtain financing on favorable terms or at all. Adverse developments in the broader residential mortgage market may adversely affect the value of the assets in which the Fund invests.

Since the summer of 2007, the residential mortgage market in the United States experienced a variety of difficulties and changed economic conditions, including defaults, credit losses and liquidity concerns. Certain commercial banks, investment banks and insurance companies have announced extensive losses from exposure to the residential mortgage market. These losses have reduced financial industry capital, leading to reduced liquidity for some institutions. These factors have impacted investor perception of the risk associated with CMBS in which the Fund invests. As a result, values for CMBS in which the Fund invests have experienced a certain amount of volatility. Further increased volatility and deterioration in the broader mortgage backed securities markets may adversely affect the performance and market value of the Fund's investments.

Actions of the U.S. government, Federal Reserve and Treasury to stabilize financial markets. In response to the financial issues affecting the banking system and the financial markets and going concern threats to investment banks and other financial institutions, the U.S. government, the Federal Reserve, the Treasury and other governmental and regulatory bodies have taken action to attempt to stabilize the financial markets. It is not possible to predict how future U.S. government actions will impact the financial markets, including current significant levels of volatility, or the Fund's current or future investments. In addition, the U.S. government, Federal Reserve, Treasury and other governmental and regulatory bodies have taken or are considering taking other actions to address causes of the financial crisis. The Fund cannot predict whether or when such actions may occur, and such actions could have a dramatic impact on the Fund's business, results of operations and financial condition.

Congress has enacted sweeping financial legislation, the Dodd-Frank Act, signed into law by President Obama on July 21, 2010, regarding, among other areas, the operation of financial institutions. Many provisions of the Dodd-Frank Act will be implemented through regulatory rulemakings and similar processes over several years and many of these rules have not been issued in final form. Therefore, the impact of the Dodd-Frank Act, and of follow-on regulation, on trading strategies and operations is impossible to predict, and may be adverse. Practices and areas of operation subject to significant change based on the impact, direct or indirect, of the Dodd-Frank Act and follow-on regulation, may change in manners that are unforeseeable, with uncertain effects. By way of example and not limitation, direct and indirect changes from the Dodd-Frank Act and follow-on regulation may occur to a significant degree with regard to, among other areas, the trading and use of many derivative instruments, including swaps and strengthening the oversight and supervision of securities and capital market activities by the SEC. There can be no assurance that such legislation or regulation will not have a material adverse effect on the Fund. In addition, Congress may address tax policy, which also could have uncertain direct and indirect impact on trading and operations.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council ("FSOC"), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that non-bank financial companies that are "predominantly engaged in financial activities" whose failure it determines would pose systemic risk, be placed under the supervision of the Federal Reserve and subject to enhanced prudential standards. The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure requirements for non-bank financial companies supervised by the Federal Reserve, but the Federal Reserve is expected to establish the prudential standards applicable to such companies. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect the Fund. The FSOC may also recommend that other federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines are significant risks to the financial system.

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

Risks Associated with Investment in Commercial Real Estate Loans

Investments in CMBS are subject to the various risks which relate to the pool of underlying assets in which the CMBS represents an interest. CMBS may be backed by obligations (including certificates of participation in obligations) that are principally secured by commercial real estate loans or interests therein having a multi-family or commercial use, such as shopping malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. Securities backed by commercial real estate assets are subject to securities market risks as well as risks similar to those of direct ownership of commercial real estate loans because those securities derive their cash flows and value from the performance of the commercial real estate underlying such investments and/or the owners of such real estate. These risks include:

- Declines in the value of real estate;
- Declines in rental or occupancy rates;
- Risks related to general and local economic conditions;
- Dependency on management skills of the borrower or third-party property management firm;
- Risk depending on the timing of cash flows from the underlying mortgage properties;
- Possible lack of available mortgage funds to refinance the mortgage loans at maturity;
- Overbuilding;
- Extended vacancies in properties;
- Increases in property taxes and operating expenses, including energy costs;
- Changes in zoning laws and other governmental rules, regulation and fiscal policies; compliance with existing legal and regulatory requirements, including environmental controls and regulations;
- Risks related to the ability of a property to attract and retain tenants, including those listed in this section, as well as the ability of a property owner to pay leasing commissions, provide adequate maintenance and insurance, pay tenant improvement costs and make other tenant concessions;
- Expenses incurred in the cleanup of environmental problems;
- Costs and delays involved in enforcing rights of a property owner against tenants that default under the terms of leases or seek protection of bankruptcy laws;
- Risks related to the type and use of a particular commercial property, e.g., hospitals, nursing homes, hospitality properties and other property types;
- Casualty or condemnation losses, including where liability and casualty insurance does not provide full protection;

- Changes in interest rates and the availability of credit to refinance such loans at or prior to maturity;
- Changes in tax laws;
- Terrorist threats and attacks;
- Social unrest and civil disturbances; and
- Weather and other acts of God.

The above factors may impact the ability of a borrower to meet its obligations on the loan. Certain loans may default which could result in either a foreclosure of the property or a restructure of the loan. Such actions may impact the amount of proceeds ultimately derived from the loan, and the timing of receipt of such proceeds may be shorter or longer than the original term of the loan. Losses on the loans will negatively impact the most subordinate CMBS class first. Any proceeds received from the loans will generally be applied to the most senior bonds outstanding before any payments are made to the subordinate bonds. The occurrence of defaults and losses on the loans may result in downgrades of the CMBS by the NRSROs.

In addition, the following risks apply to investments in CMBS (several of which also apply more generally to investments in debt securities and other asset-backed securities):

Credit Quality and Selection. In addition to the risks listed above, CMBS are affected by the quality of the credit extended. As a result, the quality of the CMBS is dependent upon the selection of the commercial mortgages for each issuance and the cash flow generated by the commercial real estate assets. Risk factors related to the foregoing include:

- Potential lack of diversification in certain CMBS issuances;
- Dependence on the skills, decision-making and experience of the various issuers in selecting the commercial mortgages backing the issuances; and
- Adverse borrower selection within an issuance.

Amortization, Refinance or Sale. Commercial real estate loans are generally not fully amortizing, which means that they may have a significant principal balance or "balloon" payment due on maturity. Commercial loans with a balloon payment involve a greater risk to a lender than fully amortizing loans because the ability of a borrower to make a balloon payment typically will depend upon its ability either to fully refinance the loan or to sell the property securing the loan at a price sufficient to permit the borrower to make the balloon payment. The ability of a borrower to effect a refinancing or a sale will be affected by a number of factors, including the value of the property, the level of available mortgage rates at the time of sale or refinancing, the borrower's equity in the property, the financial condition and operating history of the property and the borrower, tax laws, prevailing economic conditions and the availability of credit for loans secured by the specific type of property. In addition, commercial real estate loans generally are non-recourse to borrowers. In the event of foreclosure on a commercial real estate loan, the value of the collateral securing the loan at the time of foreclosure may be less than the principal amount outstanding on the loan plus accrued but unpaid interest thereon, resulting in a non-collectable deficiency. Losses realized on the sale of foreclosed properties could negatively impact the credit enhancement provided to certain CMBS investments and eventually lead to a loss of principal.

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if the Fund does not receive its desired allocations of investments or PrinREI does not find a sufficient volume of investments it deems appropriate for the Fund. New issuances of CMBS were halted during the recent global liquidity crisis. While new CMBS issuance has resumed, it remains uncertain how robust the market will become or the impact any potential regulatory reform may have on the CMBS market. Such market conditions could impact the valuations of the Fund's investments and impair

PrinREI's ability to buy securities for the Fund. The business of acquiring the type of investments targeted by the Fund is highly competitive and involves a high degree of uncertainty.

Lack of Operating Control of Underlying Investments. The day-to-day operations of the real estate companies and properties underlying the commercial real estate loans that secure the Fund's CMBS investments will be the responsibility of the owners and developers of such companies and properties. Although PrinREI will be responsible for monitoring the performance of each CMBS investment, there can be no assurance that the owners and developers will be able to operate the underlying companies or properties in accordance with their business plans or the expectations of the Fund.

Lack of Control Over CMBS. The Fund will generally not have a right to vote or to make decisions with respect to the administration of the CMBS investments or servicing of the commercial real estate loans that underlie the Fund's CMBS investments. Those decisions will generally be made by one of the master servicer, special servicer, trustee or a controlling party. Any decision made by one of those parties may not be in the best interest of the Fund and, even if that decision is determined to be in the Fund's best interests by that party, may be contrary to the decision that the Fund would have made and may negatively affect the Fund's interests.

Due Diligence Risks of CMBS. Before making any investments in CMBS, PrinREI will assess the factors that it believes will determine the success of that investment. This process is particularly important and subjective because there may be little information publicly available about the CMBS other than what is available in the prospectuses, offering memoranda or similar disclosure documentation associated with the CMBS. The Fund cannot provide any assurances that these due diligence processes will uncover all relevant facts of the underlying commercial real estate loans or that any investment in CMBS will be successful.

Credit Ratings — Rating Agencies. The Fund can invest in CMBS rated "investment grade" or "below investment grade" by an NRSRO. The term "investment grade" denotes a credit rating of BBB- or higher by S&P, or Baa3 or higher by Moody's, or BBB- or higher by Fitch, or BBB- or higher by Kroll Bond Rating Agency, Inc., or BBB(low) or higher by Dominion Bond Rating Service or BBB- or higher by Morningstar or such comparable rating by any other NRSRO. The term "below investment grade" (commonly referred to as "junk bonds" or "high yield securities") denotes a credit rating of BB+ or lower by S&P, or Ba1 or lower by Moody's, or BB+ or lower by Fitch, or BB+ or lower by Kroll Bond Rating Agency, Inc., or BB(high) by Dominion Bond Rating Services or BB+ or lower by Morningstar or such comparable rating by any other NRSRO. A credit rating is a current assessment of the probability of timely payment of interest and ultimate recovery of principal. The ratings are based on current information furnished by the issuer or obtained by the NRSRO from other sources the NRSRO considers reliable. NRSROs do not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. NRSROs may take into consideration obligors such as guarantors, insurers or lessees.

Use of Credit Rating. A credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor. Credit ratings do not constitute a guarantee of the quality of the CMBS. The rating assigned to a security reflects only the NRSRO's opinion. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, sufficient information or for other circumstances. A change in a bond's credit rating typically will affect the price of the bond. The use of credit ratings for evaluating bonds involves certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of bonds. Also, NRSROs may fail to change credit ratings in a timely manner to reflect recent events. If a NRSRO changes the rating of a security held by the Fund, the Fund may retain the security if PrinREI believes such retention is in the best interest of the Fund's investors.

Risks Associated with the Insolvency of Obligations Backing CMBS. The commercial real estate loans backing the CMBS may be subject to various laws enacted in the jurisdiction or state of the borrower for the protection of creditors. If an unpaid creditor files a lawsuit seeking payment, the court may invalidate all or part of the borrower's debt as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness, based on certain tests for borrower insolvency and other facts and circumstances, which may vary by jurisdiction. There can be no assurance as to what standard a court would apply in order to determine whether the borrower was "insolvent" after giving effect to the incurrence of the indebtedness constituting the commercial mortgage backing the CMBS, or that regardless of the method of valuation, a court would not determine that the borrower was "insolvent" after giving effect to such incurrence. In addition, in the event of the insolvency of a borrower, payments made on such commercial mortgage loans could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year and one day) before insolvency.

Bankruptcy Proceedings. If a borrower of a commercial real estate loan is the subject of a bankruptcy proceeding, payments on the loan may be delayed or diminished as a result of the exercise of various powers of the bankruptcy court including the following:

- An "automatic stay," under which the lender will not be able to institute proceedings or otherwise enforce its rights against the borrower or obligor with respect to such commercial mortgage loan without permission from the court.
- Conversion by the bankruptcy court of such commercial real estate loan into more junior debt or into an equity obligation of the borrower thereof or obligor thereon.
- Modification of the terms of the commercial real estate loan by the bankruptcy court, including reduction or delay of the interest or principal payments thereon.
- Grant of a priority lien to a new money lender to the borrower of, or obligor on, the commercial real estate loan.

Any of the foregoing could cause the related CMBS to decrease in value.

Risks Associated with Interest Shortfalls. The Fund's CMBS investments may be subject to interest shortfalls due to interest collected from the underlying loans not being sufficient to pay accrued interest to all of the CMBS. Interest shortfalls to the trust will occur when the servicer does not advance full interest payments on defaulted loans. The servicer in a CMBS trust is required to advance monthly principal and interest payments due on a delinquent loan. Once a loan is 60 days delinquent, the servicer is required to obtain a new appraisal to determine the value of the property securing the loan. The servicer is only required to advance interest based on the lesser of the loan amount or 90% of the appraised value. Interest shortfalls occur when 90% of the appraised value is less than the loan amount and the servicer does not advance interest on the full loan amount. The resulting interest shortfalls impact interest payments on the most junior class in the trust first. As interest shortfalls increase, more senior classes may be impacted. Over time, senior classes may be reimbursed for accumulated shortfalls if the delinquent loans are resolved, but there is no guarantee that shortfalls will be collected. Interest shortfalls to the trust may also occur as a result of accumulated advances and expenses on defaulted loans. When a defaulted loan or foreclosed property is liquidated, the servicer will be reimbursed for accumulated advances and expenses prior to payments to CMBS bond holders. If proceeds are insufficient to reimburse the servicer or if a defaulted loan is modified and not foreclosed, the servicer is able to make a claim on interest payments that is senior to the bond holders to cover accumulated advances and expenses. If the claim is greater than interest collected on the loans, interest shortfalls could impact one or more bond classes in a CMBS trust until the servicer's claim is satisfied.

Risks Associated with Prepayment. The Fund's CMBS investments may be subject to prepayment. Prepayments on CMBS are affected by a number of factors. If prevailing rates for commercial real estate loans fall below the interest rates on the commercial real estate loans underlying the Fund's CMBS investments, prepayments would generally be expected to increase. Conversely, if prevailing rates for commercial real estate loans rise above the interest rates on the commercial real estate loans underlying the Fund's CMBS investments, prepayment rates would generally be expected to decrease. Faster than expected prepayments may adversely affect the Fund's profitability, particularly if the Fund is forced to invest prepayments it receives in lower yielding securities. Certain commercial real estate loans underlying CMBS may have lockout periods and/or defeasance periods during which time prepayment is prohibited or prepayment penalties or substitute defeasance collateral is required. However, certain of such CMBS permit prepayment after such lockout periods or defeasance periods or the periods for such prepayment premiums have expired. Prepayments on CMBS are also affected by the value of the related mortgaged property, the borrower's equity in the mortgaged property, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the mortgaged property, competition, general economic conditions and other factors. However, there can be no assurance that the underlying loans of a CMBS issue will prepay at any particular rate.

Risks Associated with Extensions. The Fund's CMBS investments may be subject to extension, resulting in the term of the securities being longer than expected. Extensions on CMBS are affected by a number of factors, including the general availability of financing in the market, the value of the related mortgaged property, the borrower's equity in the mortgaged property, the financial circumstances of the borrower, fluctuations in the business operated by the borrower on the mortgaged property, competition, general economic conditions and other factors.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund's portfolio will decline if the Fund invests the proceeds from matured, traded or called bonds at market interest rates that are below the Fund portfolio's current earnings rate. A decline in income could affect the Common Shares' market price or their overall returns.

Risks Associated with the Servicers. The exercise of remedies and successful realization of liquidation proceeds relating to commercial real estate loans underlying CMBS may be highly dependent on the performance of the servicer or special servicer. The servicer may not be appropriately staffed or compensated to immediately address issues or concerns with the underlying loans. Such servicers may exit the business and need to be replaced which could have a negative impact on the portfolio due to lack of focus during a transition. Special servicers frequently are affiliated with investors who have purchased the most subordinate bond classes, and certain servicing actions, such as a loan extension instead of forcing a borrower pay off, may benefit the subordinate bond classes more so than the senior bonds. While servicers are obligated to service the portfolio subject to a servicing standard and maximize the present value of the loans for all bond classes, servicers with an affiliate investment in the CMBS may have a conflict of interest. There may be a limited number of special servicers available, particularly those which do not have conflicts of interest.

Risks Associated with Structured Securities. Structured securities are securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from, or sale proceeds of, a specified pool of assets that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. The CMBS in which the Fund will invest are structured securities. Thus, CMBS will bear various risks typically experienced by structured securities: credit risks, liquidity risks, interest rate risks, market risks, operational risks, structural risks and legal risks. The CMBS are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. The performance of the CMBS is also dependent on the allocation of principal and interest payments as well as losses among the classes of such securities of any issue. In addition, concentrations of CMBS backed by underlying collateral located in a specific geographic region or concentrations of specific borrowers or property types, may subject the CMBS to additional risk. Certain CMBS may have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels, which would reduce or eliminate payments of interest on one or more classes of such CMBS for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal on more senior classes, the average life of the more junior classes may lengthen. As a result, a shortfall in payments to subordinate investors in the CMBS will generally not result in a default being declared on the transaction and the transaction will not be restructured or unwound.

Risks Associated with the Limited Liquidity of CMBS. The CMBS investments the Fund may invest in may have no, or only a limited, trading market. The liquidity of the CMBS will generally fluctuate with, among other things, general economic conditions, domestic and international political events, developments or trends in a particular industry. The credit markets, including the CMBS market, have periodically experienced decreased liquidity on the primary and secondary markets during periods of extreme market volatility, such as the recent global liquidity crisis. Such market conditions could re-occur and would impact the valuations of the Fund's investments and impair PrinREI's ability to sell securities. Some or all of the CMBS may also be subject to restrictions on transfer and may be considered illiquid.

Risks Associated with Interest Rate Movements. Debt securities, such as CMBS, are sensitive to changes in interest rates. In general, bond prices rise when interest rates fall and fall when interest rates rise. Longer-term bonds are generally more sensitive to interest rate changes. The Fund may utilize derivative instruments for purposes of hedging interest rate risk. The use of derivatives may involve certain costs and risks which are outlined below.

"Spread Widening" Risk. For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the market spreads of the securities in which the Fund invests may increase substantially causing the securities prices to fall. It may not be possible to predict, or to hedge against, such "spread widening" risk. In addition, mark-to-market accounting of the Fund's investments will have an interim effect on the reported value prior to realization of an investment.

Risks Associated with Hedging. The Fund may, but is not obligated to, utilize financial instruments, such as over-the-counter derivatives transactions, to hedge its investments and the interest rate and/or spread risk associated therewith. There can be no assurance that the Fund will hedge when appropriate or choose the correct hedge if it does hedge. The use of hedging transactions involves certain risks. These risks include (i) the possibility that the market will move in a manner or direction that would have resulted in gain for the Fund had a particular hedging transaction not been utilized, in which case the Fund's performance would have been better had the Fund not engaged in the hedging transaction; (ii) the risk of imperfect correlation between the risk sought to be hedged and the hedging instrument used; and (iii) potential illiquidity for the hedging instrument used, which may make it difficult or costly for the Fund to close-out or unwind a hedging transaction.

Over-the-counter derivatives transactions are also subject to counterparty risk. Counterparty risk is the risk that the party on the opposite side of a contract will be unable to fulfill the terms of the contract when called upon, creating exposure equal to the replacement cost or loss of market value of the contract. To minimize counterparty risk, the Fund may diversify its counterparty exposure and may create exposure limits.

The Fund's use of derivatives or other hedging transactions may be limited by legal and regulatory requirements applicable to the Fund or PrinREI.

Tax Risk Relating to Investments in Certain REMICs. The Fund may acquire residual interests in REMICs. The Fund may be taxable at the highest corporate income tax rate on a portion of the income arising from a residual interest in a REMIC that is allocable to the percentage of the Fund's Common Shares held by "disqualified organizations," which are generally certain cooperatives, governmental entities and tax-exempt organizations that are exempt from unrelated business taxable income. Because this tax would be imposed on the Fund, all of the Fund's investors, including investors that are not disqualified organizations, would bear a portion of the tax cost associated with the Fund's investment in a residual interest in a REMIC. See "Federal Income Tax Matters."

In addition, if the Fund realizes excess inclusion income and allocates it to Common Shareholders, this income cannot be offset by net operating losses of the Common Shareholders. If the Common Shareholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the Common Shareholder is a foreign person, it would be subject to U.S. federal income tax withholding on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

Risks Associated with Tax Code or Accounting Changes. CMBS are generally structured as REMICs under the Code, which impacts the tax treatment of the CMBS. Changes to REMIC legislation could impact the investment performance of the CMBS and, as a result, the Fund. In addition, changes in accounting standards, such as mark-to-market or consolidation rules, could negatively impact the performance of the Fund.

Below Investment Grade Securities Risk

The Fund may invest in CMBS and other securities rated below investment grade or, if unrated, determined by PrinREI to be of comparable credit quality, which are commonly referred to as "high-yield" or "junk" bonds. Investment in junk bonds involves substantial risk of loss. Junk bonds are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default or decline in market value due to adverse economic and issuer-specific developments. Junk bonds display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values for junk bonds tend to be more volatile and such securities tend to be less liquid than investment grade debt securities.

Real Estate-Related Securities Risk

Although the Fund will not invest directly in real estate, the Fund will invest in securities of issuers that are have significant exposure to real estate and the real estate industry. Such investments are subject to certain risks associated with the ownership of real estate and with the real estate industry in general. These risks include, among others: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds or other limitations on access to capital; overbuilding; risks associated with leverage; market illiquidity; extended vacancies of properties; increase in competition, property taxes, capital expenditures and operating expenses; changes in zoning laws or other governmental regulation; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; tenant bankruptcies or other credit problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; limitations on and variations in rents, including decreases in market rates for rents; investment in developments that are not completed or that are subject to delays in completion; and changes in interest rates. To the extent that assets underlying the Fund's investments are concentrated geographically, by property type or in certain other respects, the Fund may be subject to certain of the foregoing risks to a greater extent. Investments by the Fund in securities of companies providing mortgage servicing will be subject to the risks associated with refinancings and their impact on servicing rights.

In addition, if the Fund receives rental income or income from the disposition of real property acquired as a result of a default on securities the Fund owns, the receipt of such income may adversely affect the Fund's ability to retain its tax status as a regulated investment company because of certain income source requirements applicable to regulated investment companies under the Code.

REIT-Related Risk

As part of its investments in real estate-related securities, the Fund will invest in REITs. REITs possess certain risks which differ from an investment in common stocks. REITs are financial vehicles that pool investors' capital to acquire, develop and/or finance real estate and provide services to their tenants. REITs may concentrate their investments in specific geographic areas or in specific property types, e.g., regional malls, shopping centers, office buildings, apartment buildings and industrial warehouses.

REITs are subject to management fees and other expenses, and so when the Fund invests in REITs it will bear its proportionate share of the costs of the REITs' operations. Investing in REITs involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. The market value of REIT shares and the ability of the REIT to distribute income may be adversely affected by several factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increased competition from new properties, the impact of present or future environmental legislation and compliance with environmental laws, failing to maintain their exemptions from registration under the Investment Company Act, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws and other factors beyond the control of the issuers. In addition, distributions received by the Fund from REITs may consist of dividends, capital gains and/or return of capital. Generally, dividends received by the Fund from REIT shares and distributed to the Fund's shareholders will not constitute "qualified dividend income" eligible for the reduced tax rate applicable to qualified dividend income; therefore, the tax rate applicable to that portion of the dividend income attributable to REIT shares held by the Fund that shareholders of the Fund receive will be taxed at a higher rate than dividends eligible for the reduced tax rate applicable to qualified dividend income.

REITs (especially mortgage REITs) are also subject to interest rate risk. Rising interest rates may cause REIT investors to demand a higher annual yield, which may, in turn, cause a decline in the market price of the equity securities issued by a REIT. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of a Fund's REIT investments to decline. During periods when interest rates are declining, mortgages are often refinanced. Refinancing may reduce the yield on investments in mortgage REITs. In addition, since REITs depend on payment under their mortgage loans and leases to generate cash to make distributions to their shareholders, investments in REITs may be adversely affected by defaults on such mortgage loans or leases. To the extent the Fund invests in Mortgage REITs it will also be subject to credit risk. Credit risk is the risk that the borrower will not be able to make interest and dividend payments on the loan to the REIT when they become due.

Investing in certain REITs, which often have small market capitalizations, may also involve the same risks as investing in other small capitalization companies. REITs may have limited financial resources and their securities may trade less frequently and in limited volume and may be subject to more abrupt or erratic price movements than larger company securities. Historically, small capitalization stocks, such as REITs, have been more volatile in price than the larger capitalization stocks such as those included in the S&P 500 Index. The management of a REIT may be subject to conflicts of interest with respect to the operation of the business of the REIT and may be involved in real estate activities competitive with the REIT. REITs may own properties through joint ventures or in other circumstances in which the REIT may not have control over its investments. REITs may incur significant amounts of leverage.

Similar risks would also apply with respect to U.S. REIT-like structures, non-U.S. REIT-like structures, and REITs formed under the laws of countries other than the United States.

Risks Associated with Direct Ownership of Real Estate Loans

Commercial Mortgage Loans. The Fund may invest in commercial mortgage loans. The value of the Fund's commercial mortgage loans will be influenced by the historical rate of delinquencies and defaults experienced on the commercial mortgage loans and by the severity of loss incurred as a result of such defaults. The factors influencing delinquencies, defaults, and loss severity include: (i) economic and real estate market conditions by industry sectors (e.g., multifamily, retail, office, and hospitality); (ii) the terms and structure of the mortgage loans; and (iii) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and foreclosure than lending on the security of single-family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e., the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimize operating expenses, and comply with applicable zoning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property, and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans generally do not fully amortize, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation. Exercise of foreclosure and other remedies may involve lengthy delays and additional legal and other related expenses on top of potentially declining property values. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

Subordination of Investments. Some of the Fund's investments may be in b-notes and other subordinated loans, structurally subordinated mezzanine loans and preferred equity interests of a direct or indirect property owning entity. These investments will be subordinated to the senior obligations of the property or issuer, either contractually or inherently due to the nature of equity investments. Greater credit risks are usually attached to these subordinated investments than to a borrower's first mortgage or other senior obligations. In addition, these investments may not be protected by financial or other covenants and may have limited liquidity. Adverse changes in the borrower's financial condition and/or in general economic conditions may impair the ability of the borrower to make payments on the subordinated investments and cause it to default more quickly with respect to such investments than with respect to the borrower's senior obligations. In many cases, the Fund's management of its investments and its remedies with respect thereto, including the ability to foreclose on any collateral securing such investments, will be subject to the rights of the more senior lenders and contractual inter-creditor provisions. Investment in b-notes and other subordinated loans may be less in volume relative to any such debt. As such, it is more likely that a complete loss may occur in the event of a default on such debt. Furthermore, the Fund may not possess adequate funds in order to purchase any senior notes.

Mezzanine Loans. Although not secured by the underlying real estate, mezzanine loans share certain risks as described in Subordination of Investments above and characteristics of subordinate loan interests described herein. It is expected that the commercial properties owned by such entities are or will be subject to existing mortgage loans and other indebtedness. As with commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks, including certain of the considerations and risks described herein. Mezzanine loans may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the mezzanine loan. Mezzanine loans are not secured by interests in the underlying commercial properties.

B-Notes and A/B Structures. The Fund may invest in b-notes, which investments are subordinate to the a-note portion of the same loan (which the Fund would not expect to hold). In addition to the risks described above in Subordination of Investments, certain additional risks apply to b-note investments, including those described herein. The b-note portion of a loan is typically small relative to the overall loan, and vis-à-vis the a-note portion of the loan is in the first loss position. As a means to protect against the holder of the a-note from taking certain actions or receiving certain benefits to the detriment of the holder of the b-note, the holder of the b-note often (but not always) has the right to purchase the a-note from its holder. If available, this right may not be meaningful to the Fund. For example, the Fund may not have the capital available to protect its b-note interest or purchasing the a-note may alter the Fund's overall portfolio and risk/return profile to the detriment of Common Shareholders.

Bridge Financings. The Fund may invest in bridge loans as part of its investment strategy. The Fund will bear the risk of any changes in financing markets, which may adversely affect the ability of a borrower to refinance any bridge financings. If the borrower were unable to complete a refinancing, then the Fund could be left holding an unexpected long-term investment in a junior security or that junior security might be converted to equity. The Fund may make an investment with the intent of financing or otherwise reducing the Fund's investment shortly after the closing of such investment. There can be no assurance that other transactions designed to reduce or leverage the Fund's investment, or that terms of such financings will be attractive when closed. If the Fund is unable to complete such an anticipated transaction, its investments will be less diversified than intended. In addition, bridge financings may be secured by properties that are in transition or under "lease up." There is a risk that completion of such transition or "lease up" of such properties will not occur. In that event, the Fund may be required to take possession of the property.

Concentration Risk

The Fund will be concentrating in companies in the real estate industry, which may include CMBS, REITs, REIT-like structures, and other securities that are secured by, or otherwise have exposure to, real estate. Any fund that concentrates in a particular segment of the market will generally be more volatile than a fund that invests more broadly. Any market price movements, regulatory changes, or economic conditions affecting CMBS, REITs, REIT-like structures, and real estate more generally, will have a significant impact on the Fund's performance.

Credit Risk

A Fund could lose money if the issuer or guarantor of the CMBS, or the counterparty to a derivatives contract, repurchase agreement or a loan of portfolio securities, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. These risks are heightened with respect to issuers of high-yield or "junk" bonds.

Pricing Risk

Daily valuations of most of the Fund's securities are provided by a third-party pricing service. There can be no assurance that PrinREI will be able to sell the securities at the same price as the valuations. If market conditions make it difficult to value some investments, the Fund may value these investments using more subjective methods, such as fair value pricing. In such cases, the value determined for an investment could be different than the value realized upon such investment's sale. Non-public or non-securities investments will be valued on a fair-value pricing basis.

Secondary markets may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may prevent the Fund from being able to realize full value and thus sell a security for its full valuation. This could cause a material decline in the Fund's net asset value.

Excise Tax Risk

A regulated investment company that fails to distribute, by the close of each calendar year, an amount at least equal to the sum of 98% of its ordinary income for such calendar year and 98.2% of its capital gain net income for the one-year period ending on October 31 of such calendar year, plus any shortfalls from any prior year's required distribution, is liable for a 4% excise tax on the portion of the undistributed amounts of such income that are less than the required distributions. There can be no assurance of the Fund's excise tax liability. See "Federal Income Tax Matters" in this Prospectus and "Taxes" in the accompanying SAI.

Asset-Backed Securities Risks

Because asset-backed securities may not have the benefit of a security interest in the underlying assets, asset-backed securities present certain additional risks that are not present with mortgage-backed securities. For example, credit card receivables are generally unsecured, and the debtors are entitled to the protection of a number of state and federal consumer credit laws, many of which give such debtors the right to avoid payment of certain amounts owed on the credit cards, thereby reducing the balance due. Furthermore, most issuers of automobile receivables permit the servicer to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities.

Payments of principal and interest on asset-backed securities may be dependent upon the cash flow generated by the underlying assets backing the securities and, in certain cases, may be supported by some form of credit enhancement. The degree of credit enhancement provided for each issue is generally based on historical information respecting the level of credit risk associated with the underlying assets. Delinquency or loss in excess of that anticipated or failure of the credit enhancement could adversely affect the return on an investment in such a security. The value of the securities also may change because of changes in interest rates or changes in the market's perception of the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing the credit enhancement. Additionally, since the deterioration of worldwide economic and liquidity conditions that became acute in 2008, asset-backed securities have been subject to greater liquidity risk. Asset-backed securities are ultimately dependent upon payment of loans and receivables by individuals, businesses and other borrowers, and the Fund generally has no recourse against the entity that originated the loans.

The yield characteristics of the asset-backed securities in which the Fund may invest differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently on asset-backed securities (usually monthly) and that principal may be prepaid at any time because the underlying assets generally may be prepaid at any time. As a result, if the Fund purchases these securities at a premium, a prepayment rate that is faster than expected will reduce their yield, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield. Conversely, if the Fund purchases these securities at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, the yield on these securities. Because prepayment of principal generally occurs during a period of declining interest rates, the Fund may generally have to reinvest the proceeds of such prepayments at lower interest rates. Therefore, asset-backed securities may have less potential for capital appreciation in periods of falling interest rates than other income-bearing securities of comparable maturity.

The availability of asset-backed securities may be affected by legislative or regulatory developments. It is possible that such developments may require the Fund to dispose of any then-existing holdings of such securities.

Repurchase Agreement Risk

While repurchase agreements involve certain risks not associated with direct investments in debt securities, the value of the collateral underlying the repurchase agreement will be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling financial institution, the Fund will seek to liquidate such collateral. However, the exercising of the Fund's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss.

Risks Related to the Fund's Use of Leverage

Under normal market conditions, the Fund's policy is to utilize leverage through Borrowings and the issuance of preferred shares (if any) in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets). Notwithstanding the 33⅓% limit discussed above, the Fund may enter into derivatives or other transactions (e.g., credit default swaps and total return swaps) that may provide leverage (other than Limited Leverage), but which are not subject to the foregoing 33⅓% limitation, if the Fund earmarks or segregates liquid assets (or enters into offsetting positions) in accordance with applicable SEC regulations and interpretations to cover its obligations under those transactions and instruments. The Fund will not enter into any such transaction if it would result in the Fund having total leverage (i.e., Limited Leverage plus any leverage incurred through these additional transactions) in excess of 40% of the Fund's total assets. These additional transactions will not cause the Fund to pay higher advisory or administration fee rates than it would pay in the absence of such transactions, although the dollar amount of these fees payable by the Fund will increase and decrease along with increases to and decreases in the value of the Fund's total assets. In addition, these transactions will entail additional expenses (e.g., transaction costs) which will be borne by the Fund.

The instruments utilized to provide leverage have seniority in liquidation and distribution rights over Common Shares.

Leverage is a technique that could adversely affect Common Shareholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from leverage exceed the costs of such leverage, the use of leverage could cause the Fund's net asset value to decline. When leverage is used, the net asset value and market value of the Common Shares will be more volatile. There can be no assurance that the Fund's use of leverage will be successful.

Common Shareholders bear the costs of leverage through higher operating expenses. Because management fees and administrative fees are based on the Fund's total assets, use of Limited Leverage increases the effective management fee and administrative fee borne by Common Shareholders. In addition, the issuance of certain types of leverage (e.g., preferred shares) by the Fund would result in offering expenses and other costs, which would ultimately be borne by Common Shareholders. Fluctuations in interest rates could increase the Fund's interest or dividend payments on Limited Leverage and could reduce cash available for distributions on Common Shares. Certain forms of Limited Leverage are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect the Fund's ability to pay distributions to Common Shareholders in certain instances. The Fund may also be required to pledge assets to the lenders in connection with certain other types of Limited Leverage.

Leverage involves other risks and special considerations for Common Shareholders, including the likelihood of greater volatility in the net asset value and market price of Common Shares than a comparable portfolio without leverage. That means that, in a declining market, leverage is likely to cause a greater decline in the net asset value of Common Shares than if the Fund were not leveraged. That, in turn, may result in a greater decline in the market price of Common Shares than if the Fund were not leveraged.

Leverage constitutes a substantial lien and burden by reason of their prior claim against income and against the Fund's net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any borrowings are senior to the rights of holders of Common Shares and preferred shares, with respect to the payment of distributions or upon liquidation. The Fund may not be permitted to declare dividends or other distributions, including dividends and distributions with respect to Common Shares or preferred shares or purchase Common Shares or preferred shares unless at such time, the Fund meets certain asset coverage requirements and no event of default exists under any borrowings. In addition, the Fund may not be permitted to pay distributions on Common Shares unless all dividends on any preferred shares and/or accrued interest on any borrowings have been paid, or set aside for payment.

In an event of default under certain forms of leverage, the lenders or preferred shareholders may have the right to cause a liquidation of collateral (i.e., sell portfolio securities) and, if any such default is not cured, the lenders or preferred shareholders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, the Fund may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales.

Certain types of leverage may subject the Fund to certain affirmative covenants relating to asset coverage and portfolio composition and may impose special restrictions on use of various investment techniques or strategies or in the Fund's ability to pay distributions on Common Shares in certain instances. In addition, the Fund may be subject to certain negative covenants relating to transactions with affiliates, mergers and consolidation, among others.

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

The Fund's Borrowings may include loans from banks or other financial institutions, reverse repurchase agreements, and senior notes or similar debt securities. The terms of any preferred shares the Fund issues, including its dividend rate, voting rights, liquidation preference and redemption provisions, will be determined by the Board of Trustees (subject to applicable law and the Fund's declaration of trust) if and when it authorizes the preferred shares. If the Fund is unable to refinance certain forms of leverage when it matures the Fund may be forced to sell securities in its portfolio to repay such leverage. Further, if the Fund does not repay the leverage when it matures, that will trigger an event of default under the terms of the Fund's borrowings (which will likely increase the interest rate payable on such borrowings and give the lenders under such borrowings certain additional rights) and will trigger a higher dividend rate on the preferred shares.

In connection with the Fund's anticipated use of Limited Leverage, PrinREI may seek to hedge the associated interest rate risk through derivative instruments, which may include interest rate swaps, caps, floors, collars, rate forwards and interest rate futures (and options thereon). There are economic costs of hedging reflected in the pricing of these derivative instruments which can be significant, particularly when long-term interest rates are substantially above short-term interest rates. The desirability of moderating these hedging costs will be a factor in PrinREI's choice of hedging strategies, although costs will not be the exclusive consideration in selecting hedge instruments. In addition, the Fund may select individual investments based upon their potential for appreciation without regard to the effect on current income in an attempt to mitigate the impact on the Fund's assets of the expected normal cost of hedging.

There may be an imperfect correlation between interest rates and hedging positions entered into by the Fund, which may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. In addition, the Fund's success in using hedge instruments will be subject to PrinREI's ability to predict correctly liquidity, market conditions and changes in the relationships of such hedge instruments to the leverage used by the Fund, and there can be no assurance that PrinREI's judgment in this respect will be accurate. Consequently, the use of hedging transactions might result in a poorer overall performance for the Fund, whether or not adjusted for risk, than if the Fund had not hedged its interest rate exposure.

Finally, the 1940 Act provides certain rights and protections for preferred shareholders which may adversely affect the interests of Common Shareholders.

Risks Associated with Swap Transactions

The use of swap transactions is a highly specialized activity which involves strategies and risks different from those associated with ordinary portfolio security transactions. If PrinREI is incorrect in its forecasts of default risks, market spreads or other applicable factors or events, the investment performance of the Fund would diminish compared with what it would have been if these techniques were not used. The Fund generally may only close out a swap or other two-party contract with its particular counterparty, and generally may only transfer a position with the consent of that counterparty. In addition, the price at which the Fund may close out such a two-party contract may not correlate with the price change in the underlying reference asset. If the counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) defaults, the Fund will have contractual remedies, but there can be no assurance that the counterparty will be able to meet its contractual obligations or that the Fund will succeed in enforcing its rights. It also is possible that developments in the derivatives market, including changes in government regulation, could adversely affect the Fund's ability to terminate existing swap or other agreements or to realize amounts to be received under such agreements.

In addition, the derivatives market is subject to a changing regulatory environment. In particular, adoption of derivatives legislation by the United States Congress, including the Dodd-Frank Act, could have an adverse effect on the Fund's ability to use derivative instruments. The Dodd-Frank Act provides for new regulation of certain portions of the derivatives market, including clearing, margin, reporting, recordkeeping, and registration requirements. The new regulations could, among other things, restrict the Fund's ability to engage in derivatives transactions and/or increase the costs of such derivatives transactions (for example, by increasing margin or capital requirements), and the Fund may be unable to execute its investment strategy as a result.

Preferred Stock Risk

Generally, preferred stockholders (such as the Fund, to the extent it invests in preferred stocks of other issuers) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred stockholders may elect a number of directors to the issuer's board. Generally, once all the arrearages have been paid, the preferred stockholders no longer have voting rights. In the case of certain taxable preferred stocks, holders generally have no voting rights, except (i) if the issuer fails to pay dividends for a specified period of time or (ii) if a declaration of default occurs and is continuing. In certain varying circumstances, an issuer of preferred stock may redeem the securities prior to a specified date. For instance, for certain types of preferred stock, a redemption may be triggered by a change in U.S. federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Fund.

Non-U.S. Securities Risk

The Fund may invest a significant portion of its assets in securities of non-U.S. issuers, including securities of issuers located in emerging markets (see Emerging Markets Risk). Investments in securities of non-U.S. issuers involve special risks not presented by investments in securities of U.S. issuers, including the following: less publicly available information about non-U.S. issuers or markets due to less rigorous disclosure or accounting standards or regulatory practices; many non-U.S. markets are smaller, less liquid and more volatile; potential adverse effects of fluctuations in currency exchange rates or controls on the value of the Fund's investments; the economies of non-U.S. countries may grow at slower rates than expected or may experience a downturn or recession; the impact of economic, political, social or diplomatic events; possible seizure of a company's assets; restrictions imposed by non-U.S. countries limiting the ability of non-U.S. issuers to make payments of principal and/or interest due to blockages of foreign currency exchanges or otherwise; and withholding and other non-U.S. taxes may decrease the Fund's return. These risks are more pronounced to the extent that the Fund invests a significant amount of its assets in companies located in one region and to the extent that the Fund invests in securities of issuers in emerging markets. In addition, economic, political and social developments may significantly disrupt the financial markets or interfere with the Fund's ability to enforce its rights against non-U.S. sovereign issuers.

To the extent the Fund invests in depositary receipts, the Fund will be subject to many of the same risks as when investing directly in non-U.S. securities. The holder of an unsponsored depositary receipt may have limited voting rights and may not receive as much information about the issuer of the underlying securities as would the holder of a sponsored depositary receipt.

Emerging Markets Risk

The Fund may invest in securities of issuers located in emerging markets. Emerging markets issuers are those (i) whose securities are traded principally on a stock exchange or over-the-counter in an emerging market country, (ii) that are organized under the laws of and have a principal office(s) in an emerging market country or (iii) that have at least 50% of their revenues, profits or assets in emerging market countries. Emerging market countries include any country not included in the MSCI World Index, a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. Risks of investing in emerging markets issuers include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity; significant price volatility; restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. In addition, foreign investors may be required to register the proceeds of sales; future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the Fund. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the companies in those markets.

Foreign Currency Risk

Because the Fund expects to invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities owned by the Fund, the unrealized appreciation or depreciation of investments and gains on and income from investments. Currencies of certain countries may be volatile and therefore may affect the value of securities denominated in such currencies, which means that the Fund's net asset value could decline as a result of changes in the exchange rates between foreign currencies and the U.S. dollar. These risks often are heightened for investments in smaller, emerging capital markets. Initially, the Fund does not expect to enter into foreign currency hedging transactions, but may do so in the future if PrinREI believes it to be in the best interest of the Fund and its shareholders.

Small and Mid-Capitalization Stock Risk

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

Convertible Securities Risk

Convertible securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, the convertible security's market value tends to reflect the market price of the common stock of the issuing company when that stock price is greater than the convertible security's "conversion price." The conversion price is defined as the predetermined price at which the convertible security could be exchanged for the associated stock. As the market price of the underlying common stock declines, the price of the convertible security tends to be influenced more by the yield of the convertible security. However, convertible securities fall below debt obligations of the same issuer in order of preference or priority in the event of a liquidation and are typically unrated or rated lower than such debt obligations.

Risks Associated with Futures Contracts

If futures are used for hedging purposes, there can be no guarantee that there will be a correlation between price movements in the futures contract and in the underlying financial instruments that are being hedged. This could result from differences between the financial instruments being hedged and the financial instruments underlying the standard contracts available for trading. In addition, price movements of futures contracts may not correlate perfectly with price movements of the financial instruments underlying the futures contracts due to certain market distortions. Successful use of futures by the Fund also is subject to PrinREI's ability to predict correctly liquidity, market conditions and movements in the direction of the relevant market. For example, if the Fund uses futures to hedge against the possibility of a decline in the value of a currency in which certain portfolio securities are denominated, and the value of that currency increases instead, the Fund will lose part or all of the benefit of the increased value of the securities denominated in the currency which it has hedged because it will have offsetting losses in its futures positions. Furthermore, if in such circumstances the Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements. The Fund may have to sell such securities at a time when it may be disadvantageous to do so.

Risks Associated with Forward Currency Contracts

PrinREI's decision whether to enter into forward foreign currency contracts will depend in part on its view regarding liquidity, market conditions and the direction and amount in which exchange rates are likely to move. The forecasting of movements in exchange rates is extremely difficult, so that it is highly uncertain whether a currency management strategy, if undertaken, would be successful. To the extent that PrinREI's view regarding future exchange rates proves to have been incorrect, the Fund may realize losses on its foreign currency transactions. Even if a foreign currency hedge is effective in protecting the Fund from losses resulting from unfavorable changes in exchange rates between the U.S. dollar and foreign currencies, it also would limit the gains which might be realized by the Fund from favorable changes in exchange rates.

The Fund may also utilize forward rate contracts. Under forward rate contracts, the buyer locks in an interest rate at a future settlement date. If the interest rate on the settlement date exceeds the lock rate, the buyer pays the seller the difference between the two rates. If the lock rate exceeds the interest rate on the settlement date, the seller pays the buyer the difference between the two rates. If the other party to a forward rate contract defaults, the Fund's risk of loss consists of the net amount of payments that the Fund is contractually entitled to receive that is in excess of collateral posted by the Fund's counterparty in respect of such liability. If there is a default by the other party to such a transaction, the Fund will have contractual remedies pursuant to the agreements related to the transaction. These instruments are traded in the over-the-counter market.

Risks Associated with Covered Calls

The Fund may write covered call options, subject to the limitation that no more than 50% of the Fund's assets attributable to equity securities will be subject to covered call options at any given time. As the writer of a covered call option, during the option's life the Fund gives up the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but the Fund retains the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option prior to exercise. If trading were suspended in an option, the Fund would not be able to close out the option position. If the Fund were unable to close out a covered call option that it had written on a security, the Fund would not be able to sell the underlying security unless the option expired without exercise.

Portfolio Turnover Risk

The techniques and strategies contemplated by the Fund may result in a high degree of portfolio turnover. The Fund cannot accurately predict its securities portfolio turnover rate, but anticipates that its annual portfolio turnover rate will be between 75% and 100% (excluding turnover of securities having a maturity of one year or less) under normal market conditions, although it could be materially higher under certain conditions. A high turnover rate (100% or more) would necessarily involve greater expenses to the Fund and could result in realization of net short-term capital gains.

Market Price of Common Shares

The shares of closed-end management investment companies often trade at a discount from their net asset value, and the Common Shares may likewise trade at a discount from net asset value. The trading price of the Common Shares may be less than the public offering price. The returns earned by Common Shareholders who purchase Common Shares in this offering and subsequently sell their Common Shares below net asset value will be reduced.

Risks from Non-Diversified Status

As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in securities of a single issuer, and accordingly, may invest a greater portion of its assets in a more limited number of issuers than a diversified fund. However, the Fund intends to conduct its operations so as to qualify as a regulated investment company for purposes of the Code, which generally will relieve the Fund of any liability for federal income tax to the extent its earnings are distributed to shareholders. See "Taxes" in the SAI. To so qualify, among other requirements, the Fund will limit its investments so that at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, U.S. government securities, the securities of other regulated investment companies and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the market value of the Fund's total assets is invested in the securities of any issuer (other than U.S. government securities and the securities of other regulated investment companies) or of any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses. Because the Fund, as a non-diversified investment company, may invest in a smaller number of individual issuers than a diversified investment company, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the Common Shares. The Fund will participate in a limited number of investments and all or a substantial majority of its investment portfolio may be in a particular bond class. As a result, the Fund's investment portfolio could have significant investments in a particular issuer or bond class. While the investment limitations of the Fund restrict investments in any individual CMBS bond to a maximum of 10%, losses incurred on an investment of this size could still have a significant impact on overall Fund performance.

Management Risk

The Fund is subject to management risk because it is an actively managed portfolio. ALPS, PrinREI and the individual portfolio managers will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Capital Market Risk

Global financial markets and economic conditions are volatile due to a variety of factors, including significant write-offs in the financial services sector and therefore companies may have difficulty raising capital. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, companies may be unable to obtain new debt or equity financing on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, companies may not be able to meet their obligations as they come due.

Anti-Takeover Provisions

The Fund's declaration of trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of the Board of Trustees. In certain circumstances, these provisions might also inhibit the ability of shareholders to sell their shares at a premium over prevailing market prices. See "Description of Capital Structure — Anti-Takeover Provisions in the Declaration of Trust."

MANAGEMENT OF THE FUND

Trustees and Officers

The Board of Trustees is responsible for the overall management of the Fund, including supervision of the duties performed by ALPS and PrinREI. There are four trustees of the Fund. The name and business address of the trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under "Management of the Fund" in the SAI.

Investment Adviser

ALPS serves as the Fund's investment adviser under an investment advisory agreement (the "Advisory Agreement") dated May 22, 2013. Pursuant to the Advisory Agreement, ALPS is responsible for, among other things, furnishing a continual investment program for the Fund in accordance with the investment objective and policies, coordinating and monitoring the investment activities of the subadviser, and managing and administering the Fund's business affairs, each subject to the general supervision and direction of the Board of Trustees. ALPS commenced business operations in December 2006 upon the acquisition of an existing investment advisory operation and is registered with the SEC as an investment adviser. ALPS's principal address is 1290 Broadway, Suite 1100, Denver, Colorado 80203.

As of March 31, 2013, ALPS provided supervisory and management services on approximately $8.96 billion in assets through closed-end funds, mutual funds and exchange-traded funds.

For its services, ALPS will receive from the Fund a monthly management fee at the annual rate of 1.05% of the average Total Managed Assets of the Fund. From time to time, ALPS may waive all or a portion of its fee. For these purposes, the term Total Managed Assets is defined as the value of the total assets of the Fund minus the sum of all accrued liabilities of the Fund (other than aggregate liabilities representing Limited Leverage), calculated as of 4:00 p.m. Eastern time on such day or as of such other time or times as the Board of Trustees may determine in accordance with the provisions of applicable law and of the agreement and declaration of trust and bylaws of the Fund and with resolutions of the Board of Trustees as from time to time in force. Under normal market conditions, the Fund's policy is to utilize Limited Leverage in an amount that represents approximately 33⅓% of the Fund's total assets, including proceeds from such Borrowings and issuances (or approximately 50% of the Fund's net assets).

The Fund's Advisory Agreement will continue in effect, unless otherwise terminated, for an initial term of two years and then will continue from year to year thereafter provided such continuance is specifically approved at least annually (a) by the Board of Trustees or by a majority of the outstanding voting securities of the Fund (as defined in the 1940 Act) and (b) in either event, by a majority of the Board of Trustees who are not "interested persons" of the Fund within the meaning of Section 2(a)(19) of the 1940 Act (the "independent trustees") with such independent trustees casting votes in person at a meeting called for such purpose. The Board of Trustees, shareholders of the Fund, and ALPS may each terminate the Advisory Agreement upon sixty (60) days' notice.

A discussion regarding the basis for the initial approval of the investment advisory agreement by the Board of Trustees will be available in the Fund's first report to shareholders. The basis for subsequent continuations of the Fund's investment advisory agreement will be provided in annual or semi-annual reports to stockholders for the periods during which such continuations occur.

Investment Subadviser

Pursuant to the Advisory Agreement, ALPS has delegated daily management of the Fund to PrinREI. PrinREI will act as the Fund's investment subadviser pursuant to an investment subadvisory agreement among the Fund, ALPS and PrinREI (the "Subadvisory Agreement"). PrinREI is registered with the SEC as an investment adviser. PrinREI was founded in 1998, and its address is 801 Grand Avenue, Des Moines, IA 50309. PrinREI is the dedicated real estate group of Principal Global Investors, a member company and affiliate of Principal Financial Group, which is a public company listed on the NYSE under the ticker symbol PFG. With a history in real estate asset management that spans over six decades (including real estate investment activities undertaken by PrinREI's affiliate, Principal Life Insurance Company), PrinREI managed $46.5 billion in commercial real estate assets as of March 31, 2013.

Under the Subadvisory Agreement, PrinREI is responsible for, among other things, the investment and reinvestment of the Fund's assets, subject to the supervision of ALPS. Under the Subadvisory Agreement, for the services it provides to the Fund, PrinREI receives a portion of the fee paid to ALPS by the Fund. PrinREI's fee is payable on a monthly basis at the annual rate of 0.55% of the Fund's average Total Managed Assets. The Fund is not responsible for paying the subadvisory fee to PrinREI. In addition, under a License Agreement, PrinREI has consented to the use by the Fund of the identifying word or name "Principal" in the name of the Fund, and to use of certain associated service and trade marks. Such consent is conditioned upon the employment of PrinREI, its successors or any affiliate thereof, as investment adviser to the Fund. If at any time the Fund ceases to employ PrinREI or any affiliate or successor as investment adviser of the Fund, PrinREI may require the Fund to cease using the word or name "Principal" in the name of the Fund, and cease making use of the associated service and trade marks, as promptly as practicable.

The initial term of the Subadvisory Agreement is two years and it may be re-approved annually thereafter by the Board of Trustees or the Fund's shareholders. The Board of Trustees, shareholders of the Fund, and ALPS may terminate the Subadvisory Agreement immediately upon notice to PrinREI, and PrinREI may terminate the Subadvisory Agreement upon sixty (60) days' notice to the Fund and ALPS.

Portfolio Managers

Marc Peterson, CFA

Marc is a managing director, portfolio management, for PrinREI, and, together with Kelly Rush, he is primarily responsible for the day-to-day management of the Fund's portfolio. Marc is responsible for the CMBS portion of the Fund's portfolio. Marc joined PrinREI's affiliate, The Principal Financial Group, in 1992 as an accountant, and joined PrinREI in 1995 to invest in CMBS. He received an MBA from Drake University and a bachelor's degree in accounting from Luther College. Marc has earned the right to use the Chartered Financial Analyst designation and is a member of the CFA Society of Iowa. He is also a member of the Commercial Real Estate Finance Council.

Kelly D. Rush, CFA

Kelly is the head of global real estate securities of PrinREI, and, together with Marc Peterson, he is primarily responsible for the day-to-day management of the Fund's portfolio. Kelly is responsible for the real estate-related securities portion of the Fund's portfolio. Kelly has been with the real estate investment area of PrinREI and/or its affiliate, The Principal Financial Group, since 1987, and began managing real estate stock portfolios in 1997. Kelly received an MBA in business administration and a bachelor's degree in finance from the University of Iowa. He has earned the right to use the Chartered Financial Analyst designation and is a member of the Iowa Society of Financial Analysts and the CFA Institute.

Additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities of the Fund is contained in the SAI.

Administrator

The Fund's administrator is ALPS Fund Services, Inc. ("AFS"). AFS is a service company and SEC-registered transfer agent. Under the Administration Agreement, AFS is responsible for calculating net asset values, providing additional fund accounting and tax services, and providing fund administration and compliance-related services. The address of AFS is 1290 Broadway, Suite 1100, Denver, CO 80203.

For its services, AFS will receive a monthly fee at the annual rate of 0.15% of the average Total Managed Assets of the Fund.

Control Persons

A control person includes a person who beneficially owns more than 25% of the voting securities of a company. ALPS has provided the initial capitalization of the Fund and therefore is a control person because it is the sole stockholder of the Fund as of the date of this Prospectus. However, it is anticipated that ALPS will no longer be a control person once the offering is completed.

NET ASSET VALUE

The net asset value per Common Share of the Fund is determined no less frequently than daily, on each day that the NYSE is open for trading, as of the close of regular trading on the NYSE (normally 4:00 p.m. New York time). The Fund's net asset value per Common Share is calculated by AFS, in the manner authorized by the Trustees of the Fund. Net asset value is computed by dividing the value of the Fund's total assets, less its liabilities by the number of shares outstanding.

The Trustees of the Fund have established the following procedures for valuation of the Fund's assets under normal market conditions. Marketable securities listed on foreign or U.S. securities exchanges generally are valued at closing sale prices or, if there were no sales, at the mean between the closing bid and asked prices therefor on the exchange where such securities are principally traded. Marketable securities listed in the NASDAQ National Market System are valued at the NASDAQ official closing price. Unlisted or listed securities for which closing sale prices are not available are valued at the mean between the latest bid and asked prices. An option is valued at the price provided by an independent pricing service approved by the Board of Trustees. OTC options are valued at the mean between the latest bid and asked prices provided by dealers. Financial futures contracts listed on commodity exchanges and exchange-traded options are valued at closing settlement prices.

The Fund values CMBS and other debt securities not traded in an organized market on the basis of valuations provided by dealers or by an independent pricing service, approved by the Board of Trustees, which uses information with respect to transactions in such securities, quotations from dealers, market transactions for comparable securities, various relationships between securities and yield to maturity in determining value. Debt securities having a remaining maturity of sixty days or less when purchased and debt securities originally purchased with maturities in excess of sixty days but which currently have maturities of sixty days or less are valued at amortized cost. If the independent pricing service is unable to provide a price for a security, if the price provided by the independent pricing service is deemed unreliable, or if events occurring after the close of the market for a security but before the time as of which the Fund values its Common Shares would materially affect net asset value, such security will be valued at its fair value as determined in good faith under procedures approved by the Board of Trustees.

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

- the fundamental business data relating to the issuer, borrower, or counterparty;
- an evaluation of the forces which influence the market in which the investments are purchased and sold;
- the type, size and cost of the investment;
- the financial statements of the issuer, borrower, or counterparty, as applicable;
- the credit quality and cash flow of the issuer, borrower, or counterparty, as applicable, based on PrinREI's or external analysis;
- the information as to any transactions in or offers for the investment;
- the price and extent of public trading in similar securities (or equity securities) of the issuer, or comparable companies;
- the coupon payments;
- the quality, value and saleability of collateral, if any, securing the investment;

- the business prospects of the issuer, borrower, or counterparty, as applicable, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's, borrower's, or counterparty's management;
- the prospects for the industry of the issuer, borrower, or counterparty, as applicable, and multiples (of earnings and/or cash flow) being paid for similar businesses in that industry; and
- other relevant factors.

DISTRIBUTIONS

The Fund intends to make monthly distributions to Common Shareholders out of the net investment income of the Fund, after payment of interest on any outstanding borrowings or dividends on any outstanding preferred shares. The Fund may also retain cash reserves if deemed appropriate by PrinREI to meet the terms of any leverage or derivatives transaction. Such distributions shall be administered by ALPS. While a portion of the Fund's distributed income may qualify as qualified dividend income, all or a portion of the Fund's distributed income may also be fully taxable. Any such income distributions, as well as any distributions by the Fund of net realized short-term capital gains, will be taxed as ordinary income. A portion of the distributions the Fund receives from its investments likely will be treated as return of capital. While the Fund anticipates distributing some or all of such return of capital, it is not required to do so in order to maintain its status as a "regulated investment company" under Subchapter M of the Code. See "Federal Income Tax Matters."

There can be no assurance that the Fund will continue to pay regular monthly distributions or that it will do so at a particular rate. The Fund also may make monthly distributions in excess of its net investment company taxable income, if any (which includes net short-term capital gain), in which case such excess will represent a return of capital that reduces Common Shareholders' tax basis in their shares. Because the basis reduction would increase any future gain on a disposition of the shares, the tax may be deferred until each Common Shareholder sells its Common Shares. The amount of net investment company taxable income available for each monthly distribution will vary depending on a number of factors, including dividends payable on any preferred shares of the Fund or other costs of leverage.

Over time, the Fund will distribute all of its net investment income (after it pays accrued dividends on any outstanding preferred shares or other costs of leverage). Distributions may also include cash received as return of capital from the Fund's portfolio investments or return of Common Shareholders' capital. A "return of capital" represents a return of a stockholder's original investment in Common Shares, and should not be confused with a dividend from earnings and profits. In addition, at least annually, the Fund intends to distribute any net short-term capital gain and any net capital gain (which is the excess of net long-term capital gain over short-term capital loss). The initial distribution is expected to be declared approximately 45 to 60 days after the completion of this offering and paid approximately 60 to 90 days after the completion of this offering, in each case depending on market conditions. Unless a Common Shareholder elects otherwise, all distributions from the Fund will be automatically reinvested in additional Common Shares under the Fund's dividend reinvestment plan. Common Shareholders who elect not to participate in the Fund's dividend reinvestment plan will receive all distributions in cash. See "Dividend Reinvestment Plan." During any period when there are any borrowings or preferred shares outstanding, the Fund may not be permitted to declare any cash dividend or other distribution on its Common Shares in certain circumstances. See "Description of Capital Structure."

ALPS intends to apply to the SEC, on behalf of the Fund, for an order granting an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder to permit the Fund, subject to certain terms and conditions, to include realized long-term capital gains as a part of its regular distributions to Common Shareholders more frequently than would otherwise be permitted by the 1940 Act (generally once per taxable year). ALPS expects that to rely on the exemptive order, the Fund will be required to comply with the terms and conditions therein, which, among other things, would require the Fund to make certain disclosures to shareholders and prospective shareholders regarding distributions, and would require the Fund's Board of Trustees to make determinations regarding the appropriateness of use of the distribution policy. Under such a distribution policy, it is possible that the Fund might distribute more than its income and net realized capital gains; therefore, distributions to shareholders may result in a return of capital. There is no assurance that the SEC will grant the Fund's request for such exemptive order, or that the Fund will rely on the exemptive order, if granted.

DIVIDEND REINVESTMENT PLAN

Unless the registered owner of Common Shares elects to receive cash by contacting DST Systems, Inc. (the "Plan Administrator"), all dividends declared on Common Shares will be automatically reinvested by the Plan Administrator for shareholders in the Fund's Automatic Dividend Reinvestment Plan (the "Plan"), in additional Common Shares. Common Shareholders who elect not to participate in the Plan will receive all dividends and other distributions in cash paid by check mailed directly to the shareholder of record (or, if the Common Shares are held in street or other nominee name, then to such nominee) by the Plan Administrator as dividend disbursing agent. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared dividend or other distribution. Such notice will be effective with respect to a particular dividend or other distribution (together, a "Dividend"). Some brokers may automatically elect to receive cash on behalf of Common Shareholders and may re-invest that cash in additional Common Shares.

The Plan Administrator will open an account for each Common Shareholder under the Plan in the same name in which such Common Shareholder's Common Shares are registered. Whenever the Fund declares a Dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Shares. The Common Shares will be acquired by the Plan Administrator for the participants' accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Shares from the Fund ("Newly Issued Common Shares") or (ii) by purchase of outstanding Common Shares on the open market ("Open-Market Purchases") on the NYSE or elsewhere. If, on the payment date for any Dividend, the closing market price plus estimated brokerage commissions per Common Share is equal to or greater than the net asset value per Common Share, the Plan Administrator will invest the Dividend amount in Newly Issued Common Shares on behalf of the participants. The number of Newly Issued Common Shares to be credited to each participant's account will be determined by dividing the dollar amount of the Dividend by the net asset value per Common Share on the payment date; provided that, if the net asset value is less than or equal to 95% of the closing market value on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Share on the payment date. If, on the payment date for any Dividend, the net asset value per Common Share is greater than the closing market value plus estimated brokerage commissions, the Plan Administrator will invest the Dividend amount in Common Shares acquired on behalf of the participants in Open-Market Purchases.

In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Shares trade on an "ex-dividend" basis or 30 days after the payment date for such Dividend, whichever is sooner (the "Last Purchase Date"), to invest the Dividend amount in Common Shares acquired in Open-Market Purchases. It is contemplated that the Fund will pay monthly income Dividends. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per Common Share exceeds the net asset value per Common Share, the average per Common Share purchase price paid by the Plan Administrator may exceed the net asset value of the Common Shares, resulting in the acquisition of fewer Common Shares than if the Dividend had been paid in Newly Issued Common Shares on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Shares at the net asset value per Common Share at the close of business on the Last Purchase Date provided that, if the net asset value is less than or equal to 95% of the then current market price per Common Share, the dollar amount of the Dividend will be divided by 95% of the market price on the payment date for purposes of determining the number of shares issuable under the Plan.

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

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

There will be no brokerage charges with respect to Common Shares issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. See "U.S. Federal Income Tax Matters" below. Participants that request a sale of Common Shares through the Plan Administrator are subject to brokerage commissions.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator.

FEDERAL INCOME TAX MATTERS

The following is a summary discussion of the material U.S. federal income tax consequences that may be relevant to a Common Shareholder that acquires, holds and/or disposes of Common Shares, and reflects provisions of the Code, existing Treasury regulations, judicial decisions, rulings published by the Internal Revenue Service (the "IRS"), and other applicable authority, as of the date of this Prospectus. These authorities are subject to change by legislative or administrative action, possibly with retroactive effect. The following discussion is only a summary of some of the important federal income tax considerations generally applicable to investments in the Fund. For more detailed information regarding tax considerations, see the SAI. There may be other federal tax considerations applicable to particular investors. In addition, income earned through an investment in the Fund may be subject to state, local and foreign taxes.

The Fund intends to elect to be treated and to qualify each year for taxation as a regulated investment company eligible for treatment under the provisions of Subchapter M of the Code. In order for the Fund to qualify as a regulated investment company, it must meet an income and asset diversification test each year. If the Fund so qualifies and satisfies certain distribution requirements, the Fund will not be subject to federal income tax on income distributed in a timely manner to its shareholders in the form of dividends or capital gain distributions.

The Fund intends to make monthly distributions of net investment income after payment of dividends on any outstanding preferred shares or interest on any outstanding borrowings. The Fund intends to distribute annually any net short-term capital gain (which are taxable as ordinary income) and any net capital gain. Unless a shareholder is ineligible to participate or elects otherwise, all distributions will be automatically reinvested in additional Common Shares pursuant to the Plan. For U.S. federal income tax purposes, all dividends are generally taxable whether a shareholder takes them in cash or they are reinvested pursuant to the Plan in additional shares of the Fund. Distributions of the Fund's net capital gains that are properly reported as capital gain dividends ("capital gain dividends"), if any, are taxable to Common Shareholders as long-term capital gains, regardless of the length of time Common Shares have been held by Common Shareholders.

Because of the Fund's investments in REITs, the Fund may also make distributions in excess of the Fund's earnings and capital gains. Distributions, if any, in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's Common Shares and, after that basis has been reduced to zero, will constitute capital gains to the Common Shareholder (assuming the Common Shares are held as a capital asset). See below for a summary of the maximum tax rates applicable to capital gains (including capital gain dividends). A corporation that owns Fund shares generally will not be entitled to the dividends received deduction with respect to all the dividends it receives from the Fund. Fund dividend payments that are attributable to qualifying dividends received by the Fund from certain domestic corporations may be designated by the Fund as being eligible for the dividends received deduction.

Certain income distributions paid by the Fund to individual taxpayers are taxed at rates equal to those applicable to net long-term capital gains (currently at a maximum rate of 20%). This tax treatment applies only if certain holding period and other requirements are satisfied by the Common Shareholder and the dividends are attributable to qualified dividend income received by the Fund itself. For this purpose, "qualified dividend income" means dividends received by the Fund from United States corporations and qualifying foreign corporations, provided that the Fund satisfies certain holding period and other requirements in respect of the stock of such corporations. In the case of securities lending transactions, payments in lieu of dividends are not qualified dividends. In addition, distributions the Fund receives from REITs generally will not qualify as qualified dividend income when distributed to you. There can be no assurance as to the portion of the Fund's dividends that will be qualified dividend income.

A dividend paid by the Fund to a Common Shareholder will not be treated as qualified dividend income of the Common Shareholder if (1) the dividend is received with respect to any share held for fewer than 61 days during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, (2) to the extent that the recipient is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property or (3) if the recipient elects to have the dividend treated as investment income for purposes of the limitation on deductibility of investment interest.

The Fund will inform Common Shareholders of the source and tax status of all distributions promptly after the close of each calendar year.

Selling Common Shareholders will generally recognize gain or loss in an amount equal to the difference between the Common Shareholder's adjusted tax basis in the Common Shares sold and the fair market value amount received. If the Common Shares are held as a capital asset, the gain or loss will be a capital gain or loss. The maximum tax rate applicable to net capital gains recognized by individuals and other non-corporate taxpayers is (i) the same as the maximum ordinary income tax rate for gains recognized on the sale of capital assets held for one year or less or (ii) 20% for gains recognized on the sale of capital assets held for more than one year (as well as certain capital gain dividends). Any loss on a disposition of Common Shares held for six months or less will be treated as a long-term capital loss to the extent of any capital gain dividends received with respect to those Common Shares. For purposes of determining whether Common Shares have been held for six months or less, the holding period is suspended for any periods during which the Common Shareholder's risk of loss is diminished as a result of holding one or more other positions in substantially similar or related property, or through certain options or short sales. Any loss realized on a sale or exchange of Common Shares will be disallowed to the extent those Common Shares are replaced by other Common Shares within a period of 61 days beginning 30 days before and ending 30 days after the date of disposition of the Common Shares (whether through the reinvestment of distributions, which could occur, for example, if the Common Shareholder is a participant in the Plan (as defined below) or otherwise). In that event, the basis of the replacement Common Shares will be adjusted to reflect the disallowed loss.

An investor should be aware that, if Common Shares are purchased shortly before the record date for any taxable dividend (including a capital gain dividend), the purchase price likely will reflect the value of the dividend and the investor then would receive a taxable distribution likely to reduce the trading value of such Common Shares, in effect resulting in a taxable return of some of the purchase price.

Taxable distributions to individuals and certain other non-corporate Common Shareholders, including those who have not provided their correct taxpayer identification number and other required certifications, may be subject to "backup" federal income tax withholding at the fourth lowest rate of tax applicable to a single individual (currently, 28%). Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a Common Shareholder may be refunded or credited against such Common Shareholder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS.

The foregoing does not address special tax rules applicable to certain types of investors, such as tax-exempt entities, foreign investors, investors liable for the alternative maximum tax, insurance companies and financial institutions. Investors should consult their tax advisers regarding other federal, state, local or foreign tax considerations that may be applicable in their particular circumstances, as well as any proposed tax law changes.

DESCRIPTION OF CAPITAL STRUCTURE

The Fund is a statutory trust established under the laws of the state of Delaware by an Agreement and Declaration of Trust dated August 31, 2012, as amended and restated through the date hereof (the "Declaration of Trust"). The Declaration of Trust provides that the Trustees of the Fund may authorize separate classes of shares of beneficial interest. The Trustees have authorized an unlimited number of Common Shares. The Fund intends to hold annual meetings of Common Shareholders in compliance with the requirements of the NYSE.

Common Shares

The Declaration of Trust permits the Fund to issue an unlimited number of full and fractional Common Shares of beneficial interest, no par value. Each Common Share represents an equal proportionate interest in the assets of the Fund with each other Common Share in the Fund. Holders of Common Shares will be entitled to the payment of dividends when, as and if declared by the Board of Trustees. The 1940 Act or the terms of any borrowings or preferred shares may limit the payment of dividends to the holders of Common Shares. Each whole Common Share shall be entitled to one vote as to matters on which it is entitled to vote pursuant to the terms of the Declaration of Trust on file with the SEC. Upon liquidation of the Fund, after paying or adequately providing for the payment of all liabilities of the Fund and the liquidation preference with respect to any outstanding preferred shares, and upon receipt of such releases, indemnities and refunding agreements as they deem necessary for their protection, the Trustees may distribute the remaining assets of the Fund among the holders of the Common Shares. The Declaration of Trust provides that Common Shareholders are not liable for any liabilities of the Fund. Although shareholders of an unincorporated statutory trust established under Delaware law, in certain limited circumstances, may be held personally liable for the obligations of the Fund as though they were general partners, the provisions of the Declaration of Trust described in the foregoing sentence make the likelihood of such personal liability remote.

While there are any borrowings or preferred shares outstanding, the Fund may not be permitted to declare any cash dividend or other distribution on its Common Shares, unless at the time of such declaration, (i) all accrued dividends on preferred shares or accrued interest on borrowings have been paid and (ii) the value of the Fund's total assets (determined after deducting the amount of such dividend or other distribution), less all liabilities and indebtedness of the Fund not represented by senior securities, is at least 300% of the aggregate amount of such securities representing indebtedness and at least 200% of the aggregate amount of securities representing indebtedness plus the aggregate liquidation value of the outstanding preferred shares (expected to equal the aggregate original purchase price of the outstanding preferred shares plus redemption premium, if any, together with any accrued and unpaid dividends thereon, whether or not earned or declared and on a cumulative basis). In addition to the requirements of the 1940 Act, the Fund may be required to comply with other asset coverage requirements as a condition of the Fund obtaining a rating of the preferred shares from a rating agency. These requirements may include an asset coverage test more stringent than under the 1940 Act. This limitation on the Fund's ability to make distributions on its Common Shares could in certain circumstances impair the ability of the Fund to maintain its qualification for taxation as a regulated investment company for federal income tax purposes. The Fund intends, however, to the extent possible to purchase or redeem preferred shares or reduce borrowings from time to time to maintain compliance with such asset coverage requirements and may pay special dividends to the holders of the preferred shares in certain circumstances in connection with any such impairment of the Fund's status as a regulated investment company. Depending on the timing of any such redemption or repayment, the Fund may be required to pay a premium in addition to the liquidation preference of the preferred shares to the holders thereof.

The Fund has no present intention of offering additional Common Shares, except as described herein. Other offerings of its Common Shares, if made, will require approval of the Board of Trustees. Any additional offering will not be sold at a price per Common Share below the then current net asset value (exclusive of underwriting discounts and commissions) except in connection with an offering to existing Common Shareholders or with the consent of a majority of the Fund's outstanding Common Shares. The Common Shares have no preemptive rights.

The Fund generally will not issue Common Share certificates.

Preferred Shares

The Declaration of Trust authorizes the issuance of an unlimited number of shares of beneficial interest with preference rights, including preferred shares (the "preferred shares"), having no par value, in one or more series, with rights as determined by the Board of Trustees, by action of the Board of Trustees without the approval of the Common Shareholders.

Under the requirements of the 1940 Act, the Fund must, immediately after the issuance of any preferred shares, have an "asset coverage" of at least 200%. Asset coverage means the ratio which the value of the total assets of the Fund, less all liability and indebtedness not represented by senior securities (as defined in the 1940 Act), bears to the aggregate amount of senior securities representing indebtedness of the Fund, if any, plus the aggregate liquidation preference of the preferred shares. If the Fund seeks a rating of the preferred shares, asset coverage requirements, in addition to those set forth in the 1940 Act, may be imposed. The liquidation value of the preferred shares is expected to equal their aggregate original purchase price plus redemption premium, if any, together with any accrued and unpaid dividends thereon (on a cumulative basis), whether or not earned or declared. The terms of the preferred shares, including their dividend rate, voting rights, liquidation preference and redemption provisions, will be determined by the Board of Trustees (subject to applicable law and the Fund's Declaration of Trust) if and when it authorizes the preferred shares. The Fund may issue preferred shares that provide for the periodic redetermination of the dividend rate at relatively short intervals through an auction or remarketing procedure, although the terms of the preferred shares may also enable the Fund to lengthen such intervals. At times, the dividend rate as redetermined on the Fund's preferred shares may approach or exceed the Fund's return after expenses on the investment of proceeds from the preferred shares and the Fund's leverage structure would result in a lower rate of return to Common Shareholders than if the Fund were not so structured.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Fund, the terms of any preferred shares may entitle the holders of preferred shares to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus redemption premium, if any, together with accrued and unpaid dividends, whether or not earned or declared and on a cumulative basis) before any distribution of assets is made to holders of Common Shares. After payment of the full amount of the liquidating distribution to which they are entitled, the preferred shareholders would not be entitled to any further participation in any distribution of assets by the Fund.

Holders of preferred shares, if and when issued, shall be entitled to elect two of the Fund's Trustees, voting as a class. Under the 1940 Act, if at any time dividends on the preferred shares are unpaid in an amount equal to two full years' dividends thereon, the holders of all outstanding preferred shares, voting as a class, will be allowed to elect a majority of the Fund's Trustees until all dividends in default have been paid or declared and set apart for payment. In addition, if required by the rating agency rating the preferred shares or if the Board of Trustees determines it to be in the best interests of the Common Shareholders, issuance of the preferred shares may result in more restrictive provisions than required by the 1940 Act being imposed. In this regard, holders of the preferred shares may be entitled to elect a majority of the Board of Trustees in other circumstances, for example, if one payment on the preferred shares is in arrears.

In the Fund issues preferred shares, it may seek a credit rating for the preferred shares from a rating agency. In such circumstances, the Fund intends that, as long as preferred shares are outstanding, the composition of its portfolio will reflect guidelines established by such rating agency. Although, as of the date hereof, no such rating agency has established guidelines relating to preferred shares of the

Fund, based on previous guidelines established by such rating agencies for the securities of other issuers, the Fund anticipates that the guidelines with respect to the preferred shares will establish a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable requirements under the 1940 Act. Although, at this time, no assurance can be given as to the nature or extent of the guidelines which may be imposed in connection with obtaining a rating of preferred shares, the Fund currently anticipates that such guidelines will include asset coverage requirements, which are more restrictive than those under the 1940 Act, restrictions on certain portfolio investments and investment practices, requirements that the Fund maintain a portion of its assets in short-term, high-quality, fixed-income securities and certain mandatory redemption requirements relating to the preferred shares. No assurance can be given that the guidelines actually imposed with respect to the preferred shares by such rating agency will be more or less restrictive than as described in this prospectus.

Credit Facility

As one form of Borrowing, the Fund may enter into a credit facility with one or more commercial banks. Any such borrowings would constitute leverage. Such a facility is not expected to be convertible into any other securities of the Fund; outstanding amounts are expected to be prepayable by the Fund prior to final maturity without significant penalty and there are not expected to be any sinking fund or mandatory retirement provisions. Outstanding amounts would be payable at maturity or such earlier times as required by the agreement. The Fund may be required to prepay outstanding amounts under the facility or incur a penalty rate of interest in the event of the occurrence of certain events of default. The Fund would be expected to indemnify the lenders under the facility against liabilities they may incur in connection with the facility.

In addition, the Fund expects that such a credit facility would contain covenants that, among other things, likely will limit the Fund's ability to pay dividends in certain circumstances, incur additional debt, change its fundamental investment policies and engage in certain transactions, including mergers and consolidations, and may require asset coverage ratios in addition to those required by the 1940 Act. The Fund may be required to pledge its assets and to maintain a portion of its assets in cash or high-grade securities as a reserve against interest or principal payments and expenses. The Fund expects that any credit facility would have customary covenant, negative covenant and default provisions. There can be no assurance that the Fund will enter into an agreement for a credit facility on terms and conditions representative of the foregoing, or that additional material terms will not apply. In addition, if entered into, any such credit facility may in the future be replaced or refinanced by one or more credit facilities having substantially different terms, by the issuance of preferred shares or debt securities or by the use of credit default swap contracts and the use of other derivative instruments and reverse repurchase agreements.

Repurchase of Stock and Other Discount Measures

Shares of closed-end investment companies often trade at a discount to their net asset values, and the Common Shares may also trade at a discount to their net asset value, although it is possible that they may trade at a premium above net asset value. The market price of the Common Shares will be determined by such factors as relative demand for and supply of Common Shares in the market, the Fund's net asset value, general market and economic conditions and other factors beyond the control of the Fund. Although Common Shareholders do not have the right to redeem their Common Shares, the Board of Trustees, in consultation with ALPS, may take action to repurchase Common Shares in the open market or make tender offers for Common Shares. Such actions may have the effect of reducing any market discount from net asset value. In deciding whether to take such actions, the Board of Trustees will consider such factors as the market price of the Common Shares, the net asset value of the Common Shares, the liquidity of the assets of the Fund, the effect on the Fund's expenses, whether such transactions would impair the Fund's status as a regulated investment company or result in a failure to comply with applicable asset coverage requirements, general economic conditions and such other events or conditions as may have a material effect on the Fund's ability to consummate such transactions.

The size and timing of any such share repurchase program or tender offer will be determined by the Board of Trustees in light of the market discount of the Fund's common stock, trading volume of Common Shares, information presented to the Board of Trustees regarding the potential impact of any such share repurchase program or tender offer, general market and economic conditions and applicable law. If a tender offer is made, notice will be provided to Common Shareholders describing the terms of the tender offer, which will contain information that Common Shareholders should consider in deciding whether or not to participate in the tender offer and will provide detailed instructions on how to tender shares. Subject to its investment limitations, the Fund may borrow to finance the repurchase of stock or to make a tender offer. Interest on any borrowings to finance share repurchase transactions or the accumulation of cash by the Fund in anticipation of share repurchases or tenders will reduce the Fund's net income. There can be no assurance that the Board of Trustees will, in fact, decide to undertake either of these actions or, if undertaken, that such actions will result in the Common Shares trading at a price that is equal to or approximates their net asset value. Although share repurchases and tenders could have a favorable effect on the market price of the Common Shares, you should be aware that the acquisition of Common Shares by the Fund would decrease the total net assets of the Fund and, therefore, may have the effect of increasing the Fund's expense ratio and decreasing the asset coverage with respect to any leverage outstanding. Any share repurchases or tender offers will be made in accordance with requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), the 1940 Act and the principal stock exchange on which the Common Shares are traded.

Anti-Takeover Provisions in the Declaration of Trust

The Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of the Board of Trustees, and could have the effect of depriving Common Shareholders of an opportunity to sell their Common Shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. These provisions may have the effect of discouraging attempts to acquire control of the Fund, which attempts could have the effect of increasing the expenses of the Fund and interfering with the normal operation of the Fund. The Board of Trustees is divided into three classes, with the term of one class expiring at each annual meeting of Common Shareholders. At each annual meeting, one class of Trustees is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of Trustees. A Trustee may be removed from office without cause only by a written instrument signed or adopted by two-thirds of the remaining Trustees or by a vote of the holders of at least two-thirds of the class of shares of the Fund that elected such Trustee and are entitled to vote on the matter.

The Fund's Declaration of Trust provides that the Fund may not merge with another entity, or sell, lease or exchange all or substantially all of its assets without the approval of at least two-thirds of the Trustees and 75% of the affected shares outstanding.

In addition, the Declaration of Trust requires the favorable vote of the holders of at least 80% of the outstanding shares of each class of the Fund, voting as a class, then entitled to vote to approve, adopt or authorize certain transactions with 5%-or-greater holders of the Trust's outstanding shares and their affiliates or associates, unless, prior to the time the person became a 5%-or-greater holder, two-thirds of the Board of Trustees have approved by resolution a memorandum of understanding with such holders, in which case normal voting requirements would be in effect. For purposes of these provisions, a 5%-or-greater holder of outstanding shares (a "Principal Shareholder") refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of beneficial interest of the Fund. The transactions subject to these special approval requirements are: (i) the merger or consolidation of the Fund or any subsidiary of the Fund with or into any Principal Shareholder; (ii) the issuance of any securities of the Fund to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan or pursuant to any offering in which such Principal Shareholder acquires securities that represent no greater a percentage of any class or series of securities being offered than the percentage of any class of shares beneficially owned by such Principal Shareholder immediately prior to such offering or, in the case of securities, offered in respect of another class or series, the percentage of such other class or series beneficially owned by such Principal Shareholder immediately prior to such offering); (iii) the sale, lease or exchange of all or any substantial part of the assets of the Fund to any Principal Shareholder (except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period); (iv) the sale, lease or exchange to the Fund or any subsidiary thereof, in exchange for securities of the Fund, of any assets of any Principal Shareholder (except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period) or (v) the purchase by the Fund, or any entity controlled by the Fund, of any Common Shares from any Principal Shareholder or any person to whom any Principal Shareholder transferred Common Shares.

The Board of Trustees has determined that provisions with respect to the Board of Trustees and the 80% voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of Common Shareholders generally. Reference should be made to the Declaration of Trust on file with the SEC for the full text of these provisions.

Conversion to Open-End Fund

The Fund may be converted to an open-end management investment company at any time if approved by each of the following: (i) a majority of the Trustees then in office, (ii) the holders of not less than 75% of the Fund's outstanding shares entitled to vote thereon and (iii) by such vote or votes of the holders of any class or classes or series of shares as may be required by the 1940 Act. However, if the aforementioned Trustees' approval in (i) has been obtained from at least 80% of the Trustees, then approval by only a majority of the Fund's outstanding shares entitled to vote thereon is required for purposes of (ii). The composition of the Fund's portfolio likely would prohibit the Fund from complying with regulations of the SEC applicable to open-end management investment companies. Accordingly, conversion likely would require significant changes in the Fund's investment policies and liquidation of a substantial portion of the relatively illiquid portion of its portfolio. Conversion of the Fund to an open-end management investment company also would require the redemption of any outstanding preferred shares and could require the repayment of borrowings, which would eliminate the leveraged capital structure of the Fund with respect to the Common Shares. In the event of conversion, the Common Shares would cease to be listed on the NYSE or other national securities exchange or market system. The Board of Trustees believes, however, that the closed-end structure is desirable, given the Fund's investment objective and policies. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to convert the Fund to an open-end management investment company. Shareholders of an open-end management investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. If converted to an open-end fund, the Fund expects to pay all such redemption requests in cash, but intends to reserve the right to pay redemption requests in a combination of cash or securities. If such partial payment in securities were made, investors may incur brokerage costs in converting such securities to cash. If the Fund were converted to an open-end fund, it is likely that new Common Shares would be sold at net asset value plus a sales load.

UNDERWRITING

Wells Fargo Securities, LLC, UBS Securities LLC and RBC Capital Markets, LLC are acting as the representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this Prospectus, each underwriter named below has agreed to purchase, and the Fund has agreed to sell to that underwriter, the number of Common Shares set forth opposite the underwriter's name:

Underwriters	Number of Common Shares
Wells Fargo Securities, LLC	2,760,000
UBS Securities LLC	1,665,000
RBC Capital Markets, LLC	562,000
Oppenheimer & Co. Inc.	490,000
Stifel, Nicolaus & Co., Inc.	165,000
Comerica Securities, Inc.	108,000
Henley & Company LLC	53,000
J.J.B. Hilliard, W.L. Lyons, LLC	22,000
Ladenburg Thalmann & Co. Inc.	96,000
Pershing LLC	76,000
Wunderlich Securities, Inc.	43,000
Deutsche Bank Securities Inc.	35,000
J.P. Turner & Company, L.L.C.	35,000
Source Capital Group, Inc.	35,000
Wedbush Securities Inc.	35,000
Andrew Garrett, Inc.	10,000
Brean Capital, LLC	10,000
Dinosaur Securities	10,000
Gilford Securities Incorporated	10,000
The GMS Group, LLC	10,000
Huntleigh Securities Corporation	10,000
Muriel Siebert & Co., Inc.	10,000
Newbridge Securities Corporation	10,000
Revere Securities Corp.	10,000
Southwest Securities, Inc.	10,000
Wayne Hummer Investments L.L.C.	10,000
Westminister Financial Securities, Inc.	10,000
Total	6,300,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Common Shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the Common Shares (other than those covered by the over-allotment option described below) shown above if any of the Common Shares are purchased.

The underwriters propose to offer some of the Common Shares directly to the public at the public offering price set forth on the cover page of this Prospectus and some of the Common Shares to dealers at the public offering price less a concession not to exceed $0.60 per share. The sales load the investors in the Fund will pay of $0.90 per share is equal to 4.5% of the initial offering price. If all of the Common Shares are not sold at the initial offering price, the representatives may change the public offering price and other selling terms. Investors must pay for any Common Shares purchased on or before June 28,

2013. The representatives have advised the Fund that the underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

Additional Compensation

ALPS (and not the Fund) has agreed to pay each of Wells Fargo Securities, LLC, UBS Securities LLC, RBC Capital Markets, LLC, Oppenheimer & Co. Inc. and Stifel, Nicolaus & Co., Inc. from its own assets, a structuring fee for advice relating to the structure, design and organization of the Fund as well as services related to the sale and distribution of the Fund's Common Shares in the amount of $945,999.00, $526,943.34, $162,500.00, $132,922.50 and $45,000.00, respectively. If the over-allotment option is not exercised, the structuring fee paid to each of Wells Fargo Securities, LLC, UBS Securities LLC, RBC Capital Markets, LLC, Oppenheimer & Co. Inc. and Stifel, Nicolaus & Co., Inc. will not exceed 0.7508%, 0.4182%, 0.1290%, 0.1055% and 0.0357%, respectively of the total public offering price, excluding the over-allotment option.

The Fund also agreed to reimburse the underwriters for certain expenses in connection with this offering in the aggregate amount not exceeding $60,000, which is deemed underwriting compensation by the Financial Industry Regulatory Authority, Inc.

The total amount of the underwriters' additional compensation payments by ALPS described above will not exceed 4.5% of the total public offering price of the Common Shares offered hereby. The sum total of all compensation to the underwriters in connection with this public offering of Common Shares, including sales load and all forms of additional compensation or structuring or sales incentive fee payments, if any, to the underwriters, and other expenses, will be limited to not more than 5.9868% of the total public offering price of the Common Shares sold in this offering.

The Fund has granted to the underwriters an option, exercisable for 45 days from the date of this prospectus, to purchase up to 940,000 additional Common Shares at the public offering price less the sales load. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent such option is exercised, each underwriter must purchase a number of additional Common Shares approximately proportionate to that underwriter's initial purchase commitment.

The Fund, ALPS and PrinREI have agreed, for a period of 180 days from the date of this prospectus, that they will not, without the prior written consent of Wells Fargo Securities, LLC, UBS Securities LLC and RBC Capital Markets, LLC, on behalf of the underwriters, with certain exceptions, dispose of or hedge any Common Shares or any securities convertible into or exchangeable for Common Shares, provided that the Fund may issue and sell Common Shares pursuant to the Fund's Dividend Reinvestment Plan.

To meet the NYSE distribution requirements for trading, the underwriters have undertaken to sell Common Shares in a manner such that shares are held by a minimum of 400 beneficial owners in lots of 100 or more, the minimum stock price will be at least $4.00 at the time of listing on the NYSE, at least 1,100,000 Common Shares will be publicly held in the United States and the aggregate market value of publicly held shares in the United States will be at least $60 million. The Fund's Common Shares have been approved for listing on the NYSE under the symbol "PGZ."

The following table shows the sales load that investors in the Fund will pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional Common Shares.

	No Exercise	Full Exercise
Per Share	$ 0.90	$ 0.90
Total	$ 5,670,000	$ 6,516,000

The Fund and ALPS have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Certain underwriters may make a market in Common Shares after trading in Common Shares has commenced on the NYSE. No underwriter is, however, obligated to conduct market-making activities and any such activities may be discontinued at any time without notice, at the sole discretion of the underwriters. No assurance can be given as to the liquidity of, or the trading market for, the Common Shares as a result of any market-making activities undertaken by any underwriter. This prospectus is to be used by any underwriter in connection with the offering and, during the period in which a prospectus must be delivered, with offers and sales of the Common Shares in market-making transactions in the over-the-counter market at negotiated prices related to prevailing market prices at the time of the sale.

In connection with the offering, Wells Fargo Securities, LLC, UBS Securities LLC and RBC Capital Markets, LLC, on behalf of themselves and the other underwriters, may purchase and sell the Common Shares in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of Common Shares in excess of the number of Common Shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of Common Shares made in an amount up to the number of Common Shares represented by the underwriters' over-allotment option. In determining the source of Common Shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of Common Shares available for purchase in the open market as compared to the price at which they may purchase Common Shares through the over-allotment option.

Transactions to close out the covered syndicate short position involve either purchases of Common Shares in the open market after the distribution has been completed or the exercise of the over-allotment option to purchase up to 940,000 additional Common Shares. The underwriters may also make "naked" short sales of Common Shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of Common Shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of Common Shares in the open market while the offering is in progress.

The underwriters may impose a penalty bid. Penalty bids allow the underwriting syndicate to reclaim selling concessions allowed to an underwriter or a dealer for distributing Common Shares in this offering if the syndicate repurchases Common Shares to cover syndicate short positions or to stabilize the purchase price of the Common Shares.

Any of these activities may have the effect of preventing or retarding a decline in the market price of Common Shares. They may also cause the price of Common Shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. Other than this prospectus in electronic format, the information on any such underwriter's website is not part of this prospectus. The representatives may agree to allocate a number of Common Shares to underwriters for sale to their online brokerage account holders. The representatives will allocate Common Shares to underwriters that may make internet distributions on the same basis as other allocations. In addition, Common Shares may be sold by the underwriters to securities dealers who resell Common Shares to online brokerage account holders.

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

Certain underwriters may, from time to time, engage in transactions with or perform investment banking and advisory services for ALPS and PrinREI and their respective affiliates in the ordinary course of business, for which such underwriters may have received, and may expect to receive, customary fees and expenses.

The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, North Carolina 28202. The principal business address of UBS Securities LLC is 299 Park Avenue, New York, New York 10171. The principal business address of RBC Capital Markets, LLC is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281.

CUSTODIAN AND TRANSFER AGENT

State Street Bank and Trust Company, located at State Street Financial Center, One Lincoln Street, Boston, MA 02111, will serve as the Fund's custodian and will maintain custody of the securities and cash of the Fund.

DST Systems, Inc., located at 333 West 11th Street, 5th Floor, Kansas City, Missouri 64105, will serve as the Fund's transfer agent and registrar.

LEGAL MATTERS

Certain legal matters in connection with the Common Shares will be passed upon for the Fund by Mayer Brown LLP, Chicago, Illinois, and for the Underwriters by Simpson Thacher & Bartlett LLP, New York, New York. Mayer Brown LLP and Simpson Thacher & Bartlett LLP may rely as to certain matters of Delaware law on the opinion of Richards, Layton & Finger, P.A., Wilmington, Delaware.

REPORTS TO SHAREHOLDERS

The Fund will send to Common Shareholders unaudited semi-annual and audited annual reports, including a list of investments held.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Cohen Fund Audit Services, Ltd. is the independent registered public accounting firm for the Fund and will audit the Fund's financial statements.

ADDITIONAL INFORMATION

This Prospectus and the SAI do not contain all of the information set forth in the Registration Statement that the Fund has filed with the SEC. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations. The SAI can be obtained without charge by calling 1.855.838.9485.

Statements contained in this Prospectus as to the contents of any contract or other documents referred to are not necessarily complete, and, in each instance, reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which this Prospectus forms a part, each such statement being qualified in all respects by such reference.

TABLE OF CONTENTS FOR THE STATEMENT OF ADDITIONAL INFORMATION

6,300,000 Shares

Principal Real Estate Income Fund

Common Shares
$20.00 per Share

PROSPECTUS

Wells Fargo Securities
UBS Investment Bank
RBC Capital Markets
Oppenheimer & Co.
Stifel
Comerica Securities
Henley & Company LLC
J.J.B. Hilliard, W.L. Lyons, LLC
Ladenburg Thalmann & Co. Inc.
Pershing LLC
Wunderlich Securities

June 25, 2013

Until July 20, 2013 (25 days after the date of this Prospectus), all dealers that buy, sell or trade shares of the Fund's Common Shares, whether or not participating in this offering, may be required to deliver a Prospectus. This is in addition to the dealers' obligation to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.