

Karpus Investment Management



Specialty Fixed Income

Mid Year 2009 Profile

Overview

The Fixed Income product is a highly diversified active fixed income strategy that invests primarily in closed-end funds. Exchange-traded funds, index funds, US government and agency securities are also used with minimal cash positions. We use investment grade securities, and may include limited exposure to below investment grade, high yield and other special situation debt securities. There may also be some limited exposure to non-US sovereign debt as well as a small exposure to emerging market debt. The Barclays Capital Government/Credit Bond index is the typical benchmark, though other appropriate indices may be used. We have produced superior returns (top quartile) over market cycles with generally lower risk than other fixed income managers. Specialized investment professionals use proprietary research and trading technology to exploit systematic market inefficiencies primarily in closed-end funds. This strategy strives to be fully invested at all times with modest sector weightings (over/under) versus its benchmark. Portfolio average credit quality is typically AA+/- and weighted duration between 4 and 6 years.

Philosophy

We believe in providing our clients with top quartile returns with lower risk relative to the benchmark and other fixed income managers over market cycles. This is accomplished by employing extensive diversification of assets, styles of management, and asset classes by purchasing closed-end funds that are selling at an attractive discount.

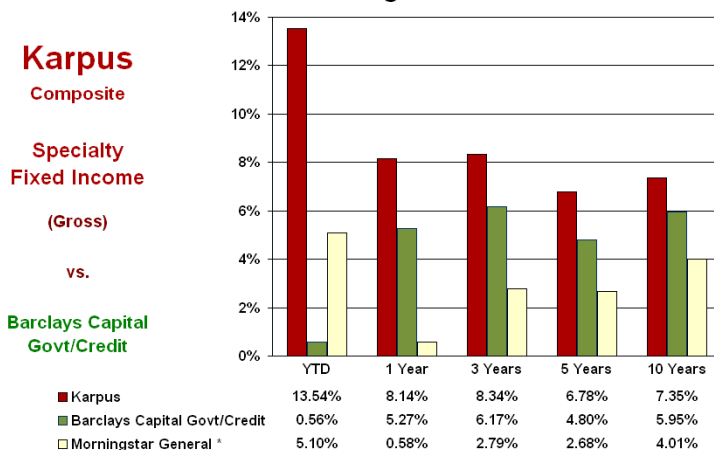
Process

Purchases: The portfolio managers/analysts initially evaluate domestic and global markets according to their economic cycles, interest rates, yield curves, currency and other macroeconomic factors. A narrow range of sector weightings, duration and credit quality is then determined. Specific securities (typically closed-end funds) within these markets are studied relative to current versus historical valuations. This process results in a finite, approved list of eligible investments. The portfolio manager then ultimately selects from this list to create and maintain a portfolio within client guidelines. Closed-end funds are selectively purchased when the discounts to net asset value are historically wide.

Sales: When selected closed-end funds become less attractive fundamentally or when exchange-traded funds (ETFs), open-end index funds, or occasionally individual bonds are more attractive, assets will be reallocated accordingly.

Annualized Returns

Periods ending 6/30/09



*Morningstar General Bond Fund Average

Karpus is ranked within the top 10th percentile of Core Fixed Income managers in the PSN Universe for 1, 5 and 10 years AND rolling 5 year periods for the last ten years with the only exception being at the end of last year that was due to unprecedented widening of closed-end fund discounts during 2008. Since then, the discounts have narrowed somewhat and have resulted in our product adding significant value over the benchmarks and returning to top rankings.

- Current Yield: 5.30%
- Average Credit Quality: AA
- Weighted Duration: 4.4 Years

Calculated by Advent Software as of 6/30/09.

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Highlights

- Independent employee-owned firm
- Founded and registered with SEC in 1986
- About \$1.5 billion assets under management
- Transparency
 - Top quartile returns over market cycles
 - Downside protection characteristics
 - Significantly lower “event” or “blowup” risk than other fixed income managers
 - Portfolios are individually managed, can be customized and are transparent
- Largest manager of U.S. closed-end funds
- Proven generator of significant “Alpha”
- Reasonable fees for superior returns
- Liquidity

Annual Returns (gross) Ending 12/31

	2008	2007	2006	2005	2004	2003
Karpus Specialty Fixed Income	-1.06%	6.09%	6.61%	3.61%	5.19%	6.77%
Barclays Capital Govt/Credit	5.71%	7.25%	3.77%	2.35%	4.20%	4.68%
Morningstar *	-4.97%	4.35%	4.15%	1.78%	3.22%	4.31%

Annualized for Periods (gross) Ending June 30, 2009

	YTD	One Year	Three Years	Five Years	Ten Years
Karpus Specialty Fixed Income	13.54%	8.14%	8.34%	6.78%	7.35%
Barclays Capital Govt/Credit	0.56%	5.27%	6.17%	4.80%	5.95%
Morningstar *	5.10%	0.58%	2.79%	2.68%	4.01%

*Morningstar General Bond Fund Average

Karpus Investment Management Performance Results – Fixed Income Composite

June 30, 1999 through June 30, 2009

Year	Composite Total Return (%) Net 6/30*	Benchmark Total Return (%) 6/30*	Number of Portfolios	Composite Dispersion (%)	Total Assets (\$ millions)	Percentage of Firm Assets	% of Non-Fee-Paying Accounts	Total Firm Assets (\$ millions)
2009	7.49	5.26	88	2.42	263.8	17.1	0.0	1546
2008	7.41	7.24	81	0.67	238.3	15.4	0.0	1545
2007	8.23	6.02	70	1.45	208.0	15.0	0.4	1390
2006	-0.08	-1.53	77	0.47	180.9	15.8	0.4	1142
2005	7.99	7.26	75	1.27	202.0	19.6	0.4	1032
2004	0.75	-0.71	66	0.77	191.4	22.1	0.1	868
2003	9.01	13.14	63	0.83	201.2	26.0	0.3	774
2002	7.70	8.24	56	0.69	185.0	28.2	0.1	656
2001	15.54	11.14	48	0.93	170.9	32.2	0.1	530
2000	3.92	4.29	53	0.77	140.4	30.0	0.0	468

* Trailing 1 Year Returns Ending 6/30.

Karpus Investment Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). The CFA Institute has not been involved with the preparation, review, or approval of this report.

Notes:

- 1) Karpus Investment Management is an independent investment management firm founded in 1986. It is not affiliated with any parent organization. It provides balanced, equity, fixed income and cash management for individuals and institutional clients.
 - 2) Total Assets and Total Firm Assets are as of 6/30. Rate of return figures are for periods ending on 6/30.
 - 3) Valuations and returns are computed and stated in U.S. dollars.
 - 4) Rate of return figures reflect the reinvestment of all dividends, interest and other income.
 - 5) Composite total return figures are annualized (geometrically linked) monthly time-weighted returns.
 - 6) The dispersion of composite annual returns is measured by the standard deviation of net returns of the portfolios in the composite. These returns are the annual time-weighted returns of those composite component portfolios that existed in the composite for the entire calendar year period.
 - 7) Performance results are net of management fees and transaction costs. Figures are also net of custodial fees for accounts custodied at U.S. Bank. Such accounts currently comprise approximately 67% of the assets under management for the firm. Clients directing the use of other (“outside”) custodians are responsible for custody fees and pay them either directly from the account or separately. For these portfolios, the stated returns are gross of custodial fees.
 - 8) The annual management fee schedule is as follows: 1.25% on the first \$1 million of market value, 1.05% on the next \$1 million, 0.90% on the next \$3 million, 0.80% on the next \$5 million, 0.70% on the next \$10 million, and 0.60% on the balance over \$20 million.
 - 9) This composite was created on January 1, 1993.
 - 10) The benchmark returns are those for the Barclays Capital Govt/Credit Benchmark.
 - 11) The minimum portfolio size for this composite is \$100,000. The minimum was \$250,000 prior to October 1, 1996.
 - 12) In order to value closed-end fund auction rate preferred securities, Karpus Investment Management used a monthly weighted average valuation provided by an independent third party; which operates, to our knowledge, the largest secondary market for auction rate securities. Effective 11/30/2008, Karpus Investment Management decided to change the method of pricing auction rate preferred securities due to the large price range at which different issues were trading. Karpus Investment Management now prices auction rate preferred securities based on the last transaction price of each specific issue.
 - 13) Additional information regarding policies for calculating and reporting returns is available upon request.
- A complete list and description of all of the firm’s composites is available upon request.