ATLANTIC POWER CORP
Form 8-K
March 23, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 23, 2017**

ATLANTIC POWER CORPORATION

(Exact name of registrant as specified in its charter)

British Columbia, Canada	**001-34691**	**55-0886410**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(IRS Employer Identification No.)

3 Allied Drive, Suite 220 **Dedham, MA**	**02026**
(Address of principal executive offices)	(Zip Code)

(617) 977-2400

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 **Regulation FD Disclosure.**

On March 23, 2017, APLP Holdings Limited Partnership (APLP Holdings), a wholly-owned subsidiary of Atlantic Power Corporation (the Company), will provide to the lenders under its senior secured credit facilities the unaudited consolidated financial statements of APLP Holdings for the years ended December 31, 2016 and 2015 (the APLP Holdings Financial Statements), which are attached hereto as Exhibit 99.1 and incorporated by reference herein. The APLP Holdings Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States and are expressed in U.S. dollars. The information in this Item 7.01, including Exhibit 99.1, should be read in conjunction with the information contained in the Company s filings under the Securities Exchange Act of 1934, as amended (the Exchange Act).

The information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as otherwise stated in that filing. The Company does not undertake any obligation to update the information contained in this Item 7.01, including Exhibit 99.1.

Item 9.01. **Financial Statements and Exhibits.**

(d) *Exhibits*

Exhibit Number	**Description**
99.1	Consolidated Financial Statements of APLP Holdings (unaudited) for the years ended December 31, 2016 and 2015.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Atlantic Power Corporation

Dated: March 23, 2017	By:	/s/ Terrence Ronan Name: Terrence Ronan Title: *Chief Financial Officer*

EXHIBIT INDEX

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99.1	Consolidated Financial Statements of APLP Holdings for the years ended December 31, 2016 and 2015.

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man; FONT-SIZE: 10pt">Mark E. Mathiasen
Secretary
Officer since 2008
Vice President, Assistant General
Year of Birth: 1978

Counsel of Guggenheim Funds Services

Group, Inc. (2007- present). Secretary of

certain funds in the Fund Complex.

Previously, Law Clerk, Idaho State Courts

(2003-2006).

Bruce Saxon
Chief Compliance
Officer since 2006
Vice President, Fund Compliance
Year of Birth: 1957

Officer

Officer of Guggenheim Funds Services

Group, Inc. (2006-present). Formerly,

Chief Compliance Officer/Assistant

Secretary of Harris Investment

Management, Inc. (2003-2006). Director-

Compliance of Harrisdirect LLC

(1999-2003).

James Howley
Assistant Treasurer
Officer since 2007
Vice President, Fund Administration
Year of birth: 1972

(2004-present) of Guggenheim Funds

Investment Advisors, LLC and

Guggenheim Funds Distributors, Inc.;

Assistant Treasurer of certain funds in the

Fund Complex. Previously, Manager,

Mutual Fund Administration of Van

Kampen Investments, Inc. (2000-2004).

Name, Business Address(1) and Age	Position	Term of Office(2) and Length of Time Served	Principal Occupation During the Past Five Years
Mark J. Furjanic Year of birth: 1959	Assistant Treasurer	Officer since 2008	Vice President, Fund Administration-Tax (2005-present) of Guggenheim Funds Investment Advisors, LLC and Guggenheim Funds Distributors, Inc.; Assistant Treasurer of certain funds in the Fund Complex. Formerly, Senior Manager (1999-2005) for Ernst & Young LLP.
Donald P. Swade Year of birth: 1972	Assistant Treasurer	Officer since 2008	Vice President, Fund Administration (2006-present) of Guggenheim Funds Investment Advisors, LLC and Guggenheim Funds Distributors, Inc.; Assistant Treasurer of certain funds in the Fund Complex. Formerly, Manager-Mutual Fund Financial Administration (2003-2006) for Morgan Stanley/Van Kampen Investments.

(1) The business address of each officer of the Fund is 2455 Corporate West Drive, Lisle, Illinois 60532.

(2) Each officer serves at the pleasure of the Board and until his or her successor is appointed and qualified or until his or her resignation or removal.

Board Leadership Structure

The primary responsibility of the Board of Trustees is to represent the interests of the Fund and to provide oversight of the management of the Fund. The Fund's day-to-day operations are managed by the Investment Adviser, the Sub-Adviser and other service providers who have been approved by the Board. The Board is currently comprised of six Trustees, five of whom (including the chairman) are classified under the 1940 Act as "non-interested" persons of the Fund ("Independent Trustees") and one of whom is classified as an interested person of the Fund ("Interested Trustee"). Generally, the Board acts by majority vote of all the Trustees, including a majority vote of the Independent Trustees if required by applicable law.

The Board has appointed an Independent Trustee, Mr. Toupin, as chairperson of the Board (the "Independent Chairperson"), who presides at Board meetings and who is responsible for, among other things, participating in the planning of Board meetings, setting the tone of Board meetings and seeking to encourage open dialogue and independent inquiry among the Trustees and management. The Board has established two standing committees (as described below) and has delegated certain responsibilities to those committees, each of which is comprised solely of Independent Trustees. The Board and its committees meet periodically throughout the year to oversee the Fund's activities, review contractual arrangements with service providers, review the Fund's financial statements, oversee compliance with regulatory requirements, and review performance. The Independent Trustees are represented by independent legal counsel at Board and committee meetings. The Board has determined that this leadership structure, including an Independent Chairperson, a supermajority of Independent Trustees and committee membership limited to

Independent Trustees, is appropriate in light of the characteristics and circumstances of the Fund.

Board Committees

Audit Committee. The Board has an Audit Committee, composed of Messrs. Barnes, Friedrich, Karn, Nyberg and Toupin. Mr. Barnes serves as chairperson of the Audit Committee. In addition to being “Independent Trustees” (defined for purposes herein as Trustees who: (1) are not “interested persons” of the Fund as defined by the 1940 Act and (2) are “independent” of the Fund as defined by the NYSE listing standards), each of these Trustees also meets the additional independence requirements for audit committee members as defined by the NYSE. The Audit Committee is charged with selecting the Fund’s independent registered public accounting firm and reviewing accounting matters with the Fund’s independent registered public accounting firm.

The Audit Committee presents the following report:

The Audit Committee has performed the following functions: (i) the Audit Committee reviewed and discussed the audited financial statements of the Fund with management of the Fund, (ii) the Audit Committee discussed with the Fund's independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 114, (iii) the Audit Committee received the written disclosures and the letter from the Fund's independent registered public accounting firm required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526 and has discussed with the Fund's independent registered public accounting firm the Fund's independent registered public accounting firm's independence and (iv) the Audit Committee recommended to the Board of Trustees of the Fund that the financial statements be included in the Fund's Annual Report for the past fiscal period.

Nominating and Governance Committee. The Board has a Nominating and Governance Committee, composed of Messrs. Barnes, Friedrich, Karn, Nyberg and Toupin, each of whom is an Independent Trustee. Mr. Nyberg serves as chairperson of the Nominating and Governance Committee.

As part of its duties, the Nominating and Governance Committee makes recommendations to the full Board with respect to candidates for the Board. The Nominating and Governance Committee will consider Trustee candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating and Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. To have a candidate considered by the Nominating and Governance Committee, a shareholder must submit the recommendation in writing and must include the information required by the procedures for shareholders to Submit Nominee Candidates, which are set forth as Appendix A to the Fund's Nominating and Governance Committee Charter. The shareholder recommendation must be sent to the Fund's Secretary, c/o Guggenheim Funds Investment Advisors, LLC, 2455 Corporate West Drive, Lisle, Illinois 60532.

Board and Committee Meetings. During the Fund's fiscal year ended May 31, 2011, the Board held 5 meetings, the Fund's Audit Committee held 3 meetings and the Fund's Nominating and Governance Committee held 3 meetings.

Board's Role in Risk Oversight

Consistent with its responsibility for oversight of the Fund, the Board, among other things, oversees risk management of the Fund's investment program and business affairs directly and through the committee structure it has established. The Board has established the Audit Committee and the Nominating and Governance Committee to assist in its oversight functions, including its oversight of the risks the Fund faces. Each committee reports its activities to the Board on a regular basis. Risks to the Fund include, among others, investment risk, credit risk, liquidity risk, valuation risk and operational risk, as well as the overall business risk relating to the Fund. The Board has adopted, and periodically reviews, policies, procedures and controls designed to address these different types of risks. Under the Board's supervision, the officers of the Fund, the Investment Adviser, the Sub-Adviser and other service providers to the Fund also have implemented a variety of processes, procedures and controls to address various risks. In addition, as part of the Board's periodic review of the Fund's advisory, subadvisory and other service provider agreements, the Board may consider risk management aspects of the service providers' operations and the functions for which they are responsible.

The Board requires officers of the Fund to report to the full Board on a variety of matters at regular and special meetings of the Board and its committees, as applicable, including matters relating to risk management. The Audit Committee also receives reports from the Fund's independent registered public accounting firm on internal control and financial reporting matters. On at least a quarterly basis, the Board meets with the Fund's Chief Compliance Officer, including separate meetings with the Independent Trustees in executive session, to discuss compliance matters and, on at least an annual basis, receives a report from the Chief Compliance Officer regarding the effectiveness of the Fund's compliance program. The Board, with the assistance of Fund management, reviews investment policies and risks in connection with its review of the Fund's performance. In addition, the Board receives reports from the Investment Adviser and Sub-Adviser on the investments and securities trading of the Fund. With respect to valuation, the Board oversees a pricing committee comprised of Fund officers and Investment Adviser and Sub-Adviser personnel and has approved fair valuation procedures applicable to valuing the Fund's securities, which the Board and the Audit Committee periodically review. The Board also requires the Investment Adviser and Sub-Adviser to report to the Board on other matters relating to risk management on a regular and as-needed basis.

Trustee Compensation

The Fund pays an annual retainer and fee per meeting attended to each Trustee who is not affiliated with the Investment Adviser, Sub-Adviser or their respective affiliates and pays an additional annual fee to the chairman of the Board and of any committee of the Board, if any. The following table provides information regarding the compensation of the Fund's Trustees for the Fund's fiscal year ended May 31, 2011.

Name(1)	Aggregate Estimated Compensation from the Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses(2)	Estimated Annual Benefits Upon Retirement(2)	Total Compensation from the Fund and Fund Complex(3) Paid to Trustee
Independent Trustees:				
Randall C. Barnes	$9,625	None	None	$252,625
Roman Friedrich III	$7,187	None	None	$73,125
Robert B. Karn III	$7,062	None	None	$102,313
Ronald A. Nyberg	$10,093	None	None	$345,313
Ronald E. Toupin, Jr.	$10,656	None	None	$280,063

(1) Trustees not entitled to compensation are not included in the table.

(2) The Fund does not accrue or pay retirement or pension benefits to Trustees as of the date of this SAI.

(3) As of the date of this SAI, the "Fund Complex" consists of 16 closed-end funds, including the Fund, and 43 exchange- traded funds. The Fund Complex is overseen by multiple boards of trustees.

Trustee Share Ownership

As of December 31, 2011, the most recently completed calendar year prior to the date of this SAI, each Trustee of the Fund beneficially owned equity securities of the Fund and all of the registered investment companies in the family of investment companies overseen by the Trustee in the dollar range amounts specified below.

Name	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Fund Complex(1)s
Independent Trustees:		
Randall C. Barnes	$50,001-$100,000	over $100,000
Roman Friedrich III	$0-$10,000	$10,001-$50,000
Robert B. Karn III	None	$10,001-$50,000
Ronald A. Nyberg	$10,001-$50,000	over $100,000
Ronald E. Toupin, Jr.	None	None
Interested Trustee:		
Kevin M. Robinson	None	None

(1) As of the date of this SAI, the "Fund Complex" consists of 16 closed-end funds, including the Fund, and 43 exchange- traded funds. The Fund Complex is overseen by multiple boards of trustees.

Indemnification of Officers and Trustees; Limitations on Liability

The governing documents of the Fund provide that the Fund will indemnify its Trustees and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund, to the fullest extent permitted by law. However, nothing in the governing documents of the Fund protects or indemnifies a trustee, officer, employee or agent of the Fund against any liability to which such person would otherwise be subject in the event of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her position.

The Fund has entered into an Indemnification Agreement with each Independent Trustee, which provides that the Fund shall indemnify and hold harmless such Trustee against any and all expenses actually and reasonably incurred by the Trustee in any proceeding arising out of or in connection with the Trustee's service to the Fund, to the fullest extent permitted by the Declaration of Trust and By-Laws and the laws of the State of Delaware, the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, unless it has been finally adjudicated that (i) the Trustee is subject to such expenses by reason of the Trustee's not having acted in good faith in the reasonable belief that his or her action was in the best interests of the Fund or (ii) the Trustee is liable to the Fund or its shareholders by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office, as defined in Section 17(h) of the Investment Company Act of 1940, as amended.

Portfolio Management

The Sub-Adviser's personnel with the responsibility for the day-to-day management of the Fund's portfolio are B. Scott Minerd, Chief Investment Officer and Chief Executive Officer, and Anne Bookwalter Walsh, Senior Managing Director.

Other Accounts Managed by the Portfolio Managers.

The following table sets forth information about funds and accounts (other than the Fund) for which the portfolio managers are primarily responsible for the day-to-day portfolio management as of May 31, 2011.

	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts Assets for Which Advisory Fee is Performance-Based		
Name of Portfolio Manager	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
B. Scott Minerd	3	4	43	0	3	1
	$648 million	$1.96 billion	$50.96 billion	$0	$1.90 billion	$292 million
Anne Bookwalter Wash	2	2	33	0	2	
	$551 million	$1.90 billion	$48.33 billion	$0	$1.90 billion	$292 million

Potential Conflicts of Interest. Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one fund or other account. More specifically, portfolio managers who manage multiple funds and/or other accounts may be presented with one or more of the following potential conflicts.

The management of multiple funds and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each fund and/or other account. The Sub-Adviser seeks to manage such competing interests for the time and attention of a portfolio manager by having the portfolio manager focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment models that are used in connection with the management of the Fund.

If a portfolio manager identifies a limited investment opportunity which may be suitable for more than one fund or other account, a fund may not be able to take full advantage of the opportunity due to an allocation of filled purchase or sale orders across all eligible funds and other accounts. To deal with these situations, the Sub-Adviser has adopted procedures for allocating portfolio transactions across multiple accounts.

The Sub-Adviser determines which broker to use to execute each order, consistent with its duty to seek best execution of the transaction. However, with respect to certain other accounts (such as mutual funds for which the Sub-Adviser acts as advisor, other pooled investment vehicles that are not registered mutual funds, and other accounts managed for organizations and individuals), the Sub-Adviser may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, trades for a fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security for the execution of the transaction, or both, to the possible detriment of the Fund or other account(s) involved.

The Sub-Adviser has adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Portfolio Manager Compensation. The portfolio managers' compensation consists of the following elements:

Base Salary: The portfolio managers are paid a fixed base salary by the Sub-Adviser which is set at a level determined to be appropriate based upon the individual's experience and responsibilities.

Annual Bonus: The portfolio managers are paid a discretionary annual bonus by the Sub-Adviser, which is based on the overall performance and profitability of the Sub-Adviser and not on performance of the Fund or accounts managed by the portfolio managers. The portfolio managers also participate in benefit plans and programs generally available to all employees of the Sub-Adviser.

Securities Ownership of the Portfolio Manager. As of May 31, 2011, the dollar range of equity securities of the Fund beneficially owned by the portfolio manager is shown below:

B. Scott Minerd: $0

Anne Bookwalter Walsh: $50,001-$100,000

Investment Adviser

Guggenheim Funds Investment Advisors, LLC, a wholly-owned subsidiary of Guggenheim Funds Services Group, Inc. ("Guggenheim Funds"), acts as the Fund's investment adviser pursuant to an advisory agreement between the Fund and the Investment Adviser (the "Advisory Agreement"). The Investment Adviser is a registered investment adviser and acts as investment adviser to a number of closed-end and open-end investment companies. The Investment Adviser is a Delaware limited liability company with principal offices located at 2455 Corporate West Drive, Lisle, Illinois 60532.

Guggenheim Funds is a wholly-owned subsidiary of Guggenheim Partners, LLC ("Guggenheim Partners"). Guggenheim Partners is a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments,

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foundation insurance companies and other institutions that have entrusted Guggenheim Partners with the supervision of more than $100 billion of assets as of June 30, 2011. Guggenheim Partners is headquartered in Chicago and New York with a global network of offices throughout the United States, Europe, and Asia.

In 2009 the SEC conducted an examination of the Investment Adviser and in 2010 reported to the Investment Adviser that the SEC believed that certain deficiencies existed in procedures and disclosure relating to the management of a liquidated closed-end fund advised by the Investment Adviser and sub-advised by a third-party sub-adviser who is not a sub-adviser to the Fund. In April 2010, the SEC initiated an investigation of this liquidated closed-end fund and issued a subpoena to the Investment Adviser, who has responded to this request for information and continues to cooperate with this investigation. Based on current knowledge, the Investment Adviser believes that this matter will be resolved without a material adverse effect to its financial condition or its ability to act as investment adviser to the Fund, although there can be no assurance that this assessment will reflect the ultimate outcome of the pending matter.

Advisory Agreement

Under the terms of the Advisory Agreement, the Investment Adviser is responsible for the management of the Fund; furnishes offices, necessary facilities and equipment on behalf of the Fund; oversees the activities of the Fund’s Sub-Adviser; provides personnel, including certain officers required for the Fund’s administrative management; and pays the compensation of all officers and Trustees of the Fund who are its affiliates. For services rendered by the Investment Adviser on behalf of the Fund under the Advisory Agreement, the Fund pays the Investment Adviser a fee, payable monthly, in an annual amount equal to 1.00% of the Fund’s average daily Managed Assets.

Pursuant to its terms, the Advisory Agreement continues from year to year if approved annually (i) by the Fund’s Board of Trustees or by the holders of a majority of its outstanding voting securities and (ii) by a majority of the Trustees who are not “interested persons” (as defined in the 1940 Act) of any party to the Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days’ written notice at the option of either party thereto or by a vote of a majority (as defined in the 1940 Act) of the Fund’s outstanding shares.

The Advisory Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Investment Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund.

Advisory Fee

	Fiscal Year Ended May 31,		
	2011	2010	2009
The Investment Adviser received approximate advisory fees of	$2,461,526	$1,965,337	$1,690,591

Sub-Adviser

Guggenheim Partners Asset Management, LLC, an affiliate of Guggenheim Partners, acts as the Fund’s investment sub-adviser pursuant to an investment sub-advisory agreement among the Fund, the Investment Adviser and the Sub-Adviser (the “Sub-Advisory Agreement”). The Sub-Adviser is a Delaware limited liability company with principal offices at 100 Wilshire Boulevard, Santa Monica, California 90401. The Sub-Adviser is a registered investment adviser.

Sub-Advisory Agreement

Under the terms of the Sub-Advisory Agreement, the Sub-Adviser manages the portfolio of the Fund in accordance with its stated investment objective and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund and manages its other business and affairs, all subject to the supervision and direction of the Fund's Board of Trustees and the Investment Adviser. For services rendered by the Sub-Adviser on behalf of the Fund under the Sub-Advisory Agreement, the Investment Adviser pays the Sub-Adviser a fee, payable monthly, in an annual amount equal to 0.50% of the Fund's average daily Managed Assets, less 0.50% of the Fund's average daily assets attributable to any investments by the Fund in Affiliated Investment Funds.

The Sub-Advisory Agreement continues from year to year if approved annually (i) by the Fund's Board of Trustees or by the holders of a majority of its outstanding voting securities and (ii) by a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) of any party to the Sub-Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Sub-Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days' written notice at the option of either party thereto, by the Fund's Board of Trustees or by a vote of a majority (as defined in the 1940 Act) of the Fund's outstanding shares.

The Sub-Advisory Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Sub-Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund.

Pursuant to a Trademark Sublicense Agreement, Guggenheim Partners has granted to the Investment Adviser and the Sub-Adviser the right to use the name "Guggenheim" in the name of the Fund, and the Investment Adviser and the Sub-Adviser have agreed that the name "Guggenheim" is Guggenheim Partners' property. In the event the Investment Adviser and the Sub-Adviser cease to act in such capacities for the Fund, the Fund will change its name to one not including "Guggenheim."

Sub-Advisory Fee

	Fiscal Year Ended May 31,		
	2011	2010	2009
The Sub-Adviser received approximate sub-advisory fees of	$1,230,763	$982,668	$845,295

Other Agreements

Administration Agreement. Guggenheim Funds Investment Advisors, LLC serves as administrator to the Fund. Pursuant to an administration agreement, Guggenheim Funds Investment Advisors, LLC is responsible for: (1) coordinating with the custodian and transfer agent and monitoring the services they provide to the Fund, (2) coordinating with and monitoring any other third parties furnishing services to the Fund, (3) supervising the maintenance by third parties of such books and records of the Fund as may be required by applicable federal or state law, (4) preparing or supervising the preparation by third parties of all federal, state and local tax returns and reports of the Fund required by applicable law, (5) preparing and, after approval by the Fund, filing and arranging for the distribution of proxy materials and periodic reports to shareholders of the Fund as required by applicable law, (6) preparing and, after approval by the Fund, arranging for the filing of such registration statements and other documents with the SEC and other federal and state regulatory authorities as may be required by applicable law, (7) reviewing and submitting to the officers of the Fund for their approval invoices or other requests for payment of the Fund’s expenses and instructing the custodian to issue checks in payment thereof and (8) taking such other action with respect to the Fund as may be necessary in the opinion of the administrator to perform its duties under the Administration Agreement. For the services, the Fund pays Guggenheim Funds Investment Advisers, LLC a fee, accrued daily and paid monthly, at the annualized rate of .0275% of the average daily Managed Assets of the Fund, reduced on assets over $200 million.

Administration Fee.

	Fiscal Year Ended May 31,		
	2011	2010	2009
Guggenheim Funds Investment Advisors, LLC received approximate administration fees of	$64,231	$53,300	$45,980

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board of Trustees of the Fund, the Sub-Adviser is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Fund. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. In general, there may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Fund. The Fund has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, the Sub-Adviser seeks to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Sub-Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission available.

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information to the Sub-Adviser or its affiliates may receive orders for transactions by the Fund. The term "research, market and statistical information" includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by the Sub-Adviser under the Sub-Advisory Agreement, and the expenses of the Sub-Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to the Sub-Adviser and its affiliates in providing services to clients other than the Fund, and not all such information is used by the Sub-Adviser in connection with the Fund. Conversely, such information provided to the Sub-Adviser and its affiliates by brokers and dealers through whom other clients of the Sub-Adviser and its affiliates effect securities transactions may be useful to the Sub-Adviser in providing services to the Fund.

Although investment decisions for the Fund are made independently from those of the other accounts managed by the Sub-Adviser and its affiliates, investments of the kind made by the Fund may also be made by those other accounts. When the same securities are purchased for or sold by the Fund and any of such other accounts, it is the policy of the Sub-Adviser and its affiliates to allocate such purchases and sales in the manner deemed fair and equitable to all of the accounts, including the Fund.

Commissions Paid. Unless otherwise disclosed below, the Fund paid no commissions to affiliated brokers during the last three fiscal years. The Fund paid approximately the following commissions to brokers during the fiscal years shown:

Fiscal Year Ended May 31,	All Brokers	Affiliated Brokers
2011	$128,228	$0
2010	$87,239	$0
2009	$189,357	$0
Fiscal Year Ended May 31, 2011 Percentages:		
Percentage of aggregate brokerage commissions paid to affiliated broker		0%
Percentage of aggregate dollar amount of transactions involving the payment of commissions effected through affiliated broker		0%

During the fiscal year ended May 31, 2011, the Fund paid $0 in brokerage commissions on transactions totaling $0 to brokers selected primarily on the basis of research services provided to the Investment Adviser or the Sub-Adviser.

U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund's Common Shares. Except as otherwise noted, this discussion assumes you are a taxable U.S. person and that you hold your Common Shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the "IRS"), possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its Common Shareholders (including Common Shareholders subject to special treatment under U.S. federal income tax law). No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

The discussions set forth herein and in the prospectus do not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the specific U.S. federal, state, local and foreign tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has elected and intends to continue to be treated and to qualify each year as a regulated investment company under Subchapter M of the Code. Accordingly, the Fund must, among other things, (i) derive in each taxable year at least 90% of its gross income from (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies and (b) net income derived from interests in "qualified publicly traded partnerships" (as defined in the Code) (the "Gross Income Test"); and (ii) diversify its holdings 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 (I) any one issuer (other than U.S. government securities and the securities of other regulated investment companies), (II) 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 or (III) any one or more qualified publicly traded partnerships. Generally, a qualified publicly traded partnership includes a partnership the interests of which are traded on an established securities market or readily tradable on a secondary market (or the substantial equivalent thereof).

As long as the Fund qualifies as a regulated investment company, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its Common Shareholders, provided that it distributes each taxable year at least 90% of the sum of (i) the Fund's investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gain over net long-term capital loss, and other taxable income, other than any net capital gain (defined below), reduced by deductible expenses) determined without regard to the deduction for dividends and distributions paid and (ii) the Fund's net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income each year. The Fund will be subject to income tax at regular corporate rates on any taxable income or gains that it does not distribute to its Common Shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. While the Fund intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% nondeductible excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gain will be distributed to avoid entirely the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a regulated investment company, all of its taxable income (including its net capital gain, which consists of the excess of its net long-term capital gain over its net short-term capital loss) will be subject to tax at regular corporate rates without any deduction for distributions to Common Shareholders, and such distributions will be taxable to the Common Shareholders as ordinary dividends to the extent of the Fund's current or accumulated earnings and profits. Such dividends, however, would be eligible (i) to be treated as qualified dividend income in the case of Common Shareholders taxed as individuals with respect to taxable years beginning on or before December 31, 2012 and (ii) for the dividends received deduction in the case of corporate Common Shareholders, subject, in each case, to certain holding period requirements. To qualify again to be taxed as a regulated investment company in a subsequent year, the Fund would be required to distribute to its Common Shareholders its earnings and profits attributable to non-regulated investment company years. If the Fund fails to qualify as a regulated investment company for a period greater than two taxable years, the Fund may be required to recognize and pay tax on any net built-in gains with respect to certain of its assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if the Fund had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a regulated investment company in a subsequent year.

The Fund's Investments

Certain of the Fund's investment practices are subject to special and complex U.S. federal income tax provisions (including mark-to-market, constructive sale, straddle, wash sale, short sale and other rules) that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (ii) convert lower taxed long-term capital gains or "qualified dividend income" into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not be "qualified" income for purposes of the 90% annual gross income requirement described above. These U.S. federal income tax provisions could therefore affect the amount, timing and character of distributions to Common Shareholders. The Fund intends to monitor its transactions and may make certain tax elections and may be required to dispose of securities to mitigate the effect of these provisions and prevent disqualification of the Fund as a regulated investment company. Additionally, the Fund may be required to limit its activities in derivative instruments in order to enable it to maintain its regulated investment company status.

Certain types of income received by the Fund from REITS, REMICs, taxable mortgage pools or other investments may cause the Fund to designate some or all of its distributions as "excess inclusion income." To Fund Common Shareholders such excess inclusion income will (i) constitute taxable income, as "unrelated business taxable income" ("UBTI") for those Common Shareholders who would otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities, (ii) not be offset against net operating losses for tax purposes, (iii) not be eligible for reduced U.S. withholding for non-U.S. Common Shareholders even from tax treaty countries and (iv) cause the Fund to be subject to tax if certain "disqualified organizations," as defined by the Code (which includes charitable remainder trusts), are Fund Common Shareholders.

Gain or loss on the sales of securities by the Fund will generally be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

Because the Fund may invest in foreign securities, its income from such securities may be subject to non-U.S. taxes. The Fund will not be eligible to elect to "pass-through" to Common Shareholders of the Fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes.

Private Investment Funds Taxed as Partnerships. Certain of the Private Investment Funds in which the Fund may invest will be treated as partnerships for U.S. federal income tax purposes. Consequently, the Fund's income, gains, losses, deductions and expenses will depend upon the corresponding items recognized by such Private Investment Funds. In addition, the Fund's proportionate share of the assets of each such Private Investment Fund will be treated as if held directly by the Fund. In these instances, the Fund will be required to meet the diversification test with respect to the assets of such Private Investment Funds. The Fund generally will not invest in Private Investment Funds that are treated as partnerships for U.S. federal income tax purposes unless the terms of such investment provide, or the managers of such Private Investment Funds agree to provide, the Fund with information on a regular basis as reasonably necessary to monitor the Fund's qualification as a regulated investment company for U.S. federal income tax purposes.

Private Investment Funds Taxed as PFICs. The Fund anticipates that certain of the Private Investment Funds in which it invests will be treated as "passive foreign investment companies" ("PFICs") for U.S. federal income tax purposes. In general, a PFIC is any foreign corporation that has 75% or more of its gross income for the taxable year which consists of passive income or that has 50% or more of the average fair market value of its assets which consists of assets that produce, or are held for the production of, passive income.

If the Fund makes an election to treat the PFIC as a "qualified electing fund" (a "QEF Election"), the Fund would be taxed currently on the PFIC's income without regard to whether the Fund received any distributions from the PFIC. If the Fund makes a QEF Election with respect to a Private Investment Fund and the Private Investment Fund complies with certain annual reporting requirements, the Fund will be required to include in its gross income each year its pro rata share of the Private Investment Fund's ordinary income and net capital gains (at ordinary income and capital gain rates, respectively) for each year in which the Private Investment Fund is a PFIC, regardless of whether the Fund receives distributions from the Private Investment Fund. The Fund believes that such income and gain inclusions resulting from a QEF Election constitute qualifying income for purposes of the income requirement applicable to regulated investment companies under Subchapter M of the Code. By reason of such inclusions, the Fund would be deemed to have received net investment income, which would be subject to the 90% distribution requirement, and to have received net capital gains, possibly without a corresponding receipt of cash. The Fund's basis in the shares it owns in the Private Investment Fund will be increased to reflect any such deemed distributed income. Because some of the Private Investment Funds in which the Fund may invest may defer the payment of management and/or incentive compensation fees, during the deferral period the Fund's pro rata share of the Private Investment Fund's ordinary income will be higher than it would be if the Private Investment Fund had not deferred the payment of such fees. A QEF Election is subject to a number of specific rules and requirements, and not all of the Private Investment Funds in which the Fund may invest may provide their investors with the information required to satisfy the reporting requirements necessary for the Fund to make a QEF Election.

In lieu of making a QEF Election, the Fund could elect to mark to market its PFIC stock and include in income any resulting gain or loss (a “Mark-to-Market Election”). The Fund anticipates that it will make a Mark-to-Market Election with respect to the stock of any PFICs in which it invests that do not provide the Fund with the information necessary for the Fund to make a QEF Election. Unlike in the case of a QEF Election, under a Mark-to-Market Election the Fund will not be deemed to have received distributions of net investment income or net capital gains from the PFIC. If the Fund makes a Mark-to-Market Election with respect to a PFIC, the Fund will be deemed to have sold the shares of that PFIC as of the last day of the Fund’s taxable year and will be required to include in the Fund’s net investment income the positive difference, if any, between the fair market value of shares as of the end of the Fund’s taxable year and the adjusted basis of such shares. All of such positive difference will be treated as ordinary income and will be a dividend in the hands of the Fund. Moreover, any gain from the Fund’s actual sale of PFIC shares with respect to which the Fund has made a Mark-to-Market Election will be ordinary income in the Fund’s hands. Thus, unlike the case of a QEF Election, the Fund cannot generate long-term capital gains with respect to PFIC stock for which the Fund has made a Mark-to-Market Election. The Fund will recognize income regardless of whether the PFIC has made any distributions to the Fund and such income will constitute net investment income subject to the 90% distribution requirement described above. The Fund’s basis in the shares it owns in the Private Investment Fund will be increased to reflect any such recognized income. The Fund may deduct any decrease in value equal to the excess of its adjusted basis in the shares over the fair market value of the shares of the Private Investment Fund as of the end of the Fund’s taxable year, but only to the extent of any previously unreversed net mark-to-market gains included in the Fund’s income for prior taxable years.

The Fund intends to borrow funds or to redeem a sufficient amount of its investments in Private Investment Funds that are PFICs and for which the Fund has made either a QEF Election or a Mark-to-Market Election so that the Fund has sufficient cash to meet the distribution requirements to maintain its qualification as a regulated investment company and minimize U.S. federal income and excise taxes.

In the event that the Fund does not make a QEF Election or a Mark-to-Market Election with respect to PFIC stock held by the Fund, the Fund would be taxed at ordinary income rates and pay an interest charge if it received an “excess distribution” (generally, a distribution in excess of a base amount) or if it realized gain on the sale of its PFIC stock. The amount of the excess distribution or gain would be allocated ratably to each day in the Fund’s holding period for the PFIC stock, and the Fund would be required to include the amount allocated to the current taxable year in its income as ordinary income for such year. The amounts allocated to prior taxable years generally would be taxed at the highest ordinary income tax rate in effect for each such prior taxable year and would also be subject to an interest charge computed as if such tax liability had actually been due with respect to each such prior taxable year. The Fund expects to make a QEF Election or a Mark-to-Market Election with respect to the PFICs in which it invests and, accordingly, does not expect to be subject to this “excess distribution” regime.

Risk-Linked Securities. The treatment of risk-linked securities for U.S. federal income tax purposes is uncertain and will depend on the particular features of each such securities. The Fund expects that it will generally treat the risk-linked securities in which it invests as equity of the issuer for U.S. federal income tax purposes, whether that treatment is mandated by the terms of the applicable bond indentures or otherwise, although this determination will necessarily be made on an investment by investment basis. It is possible that the IRS will provide future guidance with respect to the treatment of instruments like the risk-linked securities or challenge the treatment adopted by the Fund for one or more of its risk-linked securities investments. A change in the treatment of the Fund’s risk-linked securities investments that is required as a result of such guidance or an IRS challenge could affect the timing, character and amount of the Fund’s income from the risk-linked securities. This, in turn, could affect whether the Fund has satisfied the distribution requirements necessary to qualify as a regulated investment company and to avoid a Fund-level tax.

Risk-linked securities that are treated as equity may be subject to special U.S. federal income tax rules applicable to equity investments in a PFIC, and will generally be subject to the PFIC rules described above under the caption “Private Investment Funds Taxed as PFICs.” In cases in which the Fund treats such risk-linked securities as an equity interest in a PFIC, the Fund generally expects to make a Mark-to-Market Election, which would require the Fund to recognized income or (subject to certain limitations) loss annually based on the difference between the fair market value of the risk-linked securities at the end of the year and the Fund’s adjusted basis in the risk-linked securities. Because the Mark-to-Market Election can result in recognition of income without the concurrent receipt of cash, the Fund may have to borrow funds or sell portfolio securities, thereby possibly resulting in the recognition of additional income or gain to satisfy the distribution requirements necessary to qualify as a regulated investment company and to avoid a Fund-level tax. If the Fund were not able to meet such distribution requirements, the Fund would run the risk of losing its qualification as a regulated investment company.

Taxation of Common Shareholders

The Fund will either distribute or retain for reinvestment all or part of its net capital gain. If any such gain is retained, the Fund will be subject to a corporate income tax on such retained amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its Common Shareholders, each of whom, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its U.S. federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its Common Shares by an amount equal to 65% of the amount of undistributed capital gain included in such Common Shareholder's gross income.

Distributions paid to you by the Fund from its net capital gains, if any, that the Fund properly designates as capital gains dividends ("capital gain dividends") are taxable as long-term capital gains, regardless of how long you have held your Common Shares. All other dividends paid to you by the Fund (including dividends from net short-term capital gains) from its current or accumulated earnings and profits ("ordinary income dividends") are generally subject to tax as ordinary income. Special rules apply, however, to ordinary income dividends paid to individuals with respect to taxable years beginning on or before December 31, 2012. Capital gain dividends are not eligible for the dividends received deduction.

Ordinary income dividends received by corporate holders of Common Shares generally will be eligible for the dividends received deduction to the extent that the Fund's income consists of dividend income from U.S. corporations and certain holding period requirements are satisfied. In the case of Common Shareholders who are individuals, any ordinary income dividends that you receive from the Fund generally will be eligible for taxation at the rates applicable to long-term capital gains to the extent that (i) the ordinary income dividend is attributable to "qualified dividend income" (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your Common Shares. The reduced rates for "qualified dividend income" are not applicable to (i) dividends paid by a foreign corporation that is a PFIC, (ii) income inclusions from a QEF Election with respect to a PFIC and (iii) ordinary income from a Mark-to-Market Election with respect to a PFIC. Qualified dividend income eligible for these special rules is not actually treated as capital gains, however, and thus will not be included in the computation of your net capital gain and generally cannot be used to offset any capital losses. These special rules relating to the taxation of qualified dividend income paid by the Fund to Common Shareholders who are individuals generally apply to taxable years beginning on or before December 31, 2012. Thereafter, the Fund's dividends, other than capital gain dividends, will be fully taxable at ordinary income tax rates unless further Congressional action is taken. There can be no assurance as to what portion of the Fund's distributions will qualify for favorable treatment as qualified dividend income or will be eligible for the dividends received deduction.

A dividend (whether paid in cash or reinvested in additional Fund Common Shares) will not be treated as qualified dividend income (whether received by the Fund or paid by the Fund to a 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 Common Shareholder 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 Common Shareholder elects to have the dividend treated as investment income for purposes of the limitation on deductibility of investment interest.

Any distributions you receive that are in excess of the Fund’s current and accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your Common Shares, and thereafter as capital gain from the sale of Common Shares (assuming the Common Shares are held as a capital asset). The amount of any Fund distribution that is treated as a tax-free return of capital will reduce your adjusted tax basis in your Common Shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your Common Shares.

Common Shareholders may be entitled to offset their capital gain dividends with capital loss. The Code contains a number of statutory provisions affecting when capital loss may be offset against capital gain, and limiting the use of loss from certain investments and activities. Accordingly, Common Shareholders that have capital losses are urged to consult their tax advisers.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional Common Shares of the Fund. Dividends and other distributions paid by the Fund are generally treated under the Code as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the Common Shareholder of record on a specified date in one of such months, then such dividend will be treated for U.S. federal income tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared. In addition, certain other distributions made after the close of the Fund's taxable year may be "spilled back" and treated as paid by the Fund (except for purposes of the 4% nondeductible excise tax) during such taxable year. In such case, you will be treated as having received such dividends in the taxable year in which the distributions were actually made.

The price of Common Shares purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing Common Shares just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

Ordinary income dividends and capital gain dividends also may be subject to state and local taxes. Common Shareholders are urged to consult their own tax advisers regarding specific questions about U.S. federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund.

The sale or other disposition of Common Shares will generally result in capital gain or loss to you and will be long-term capital gain or loss if you have held such Common Shares for more than one year at the time of sale. Any loss upon the sale or other disposition of Common Shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you with respect to such Common Shares. Any loss you recognize on a sale or other disposition of Common Shares will be disallowed if you acquire other Common Shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the Common Shares. In such case, your tax basis in the Common Shares acquired will be adjusted to reflect the disallowed loss.

Current U.S. federal income tax law taxes both long-term and short-term capital gain of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, short-term capital gain is currently taxed at rates applicable to ordinary income while long-term capital gain generally is taxed at a maximum rate of 15% with respect to taxable years beginning on or before December 31, 2012 (20% thereafter).

A Common Shareholder that is a nonresident alien individual or a foreign corporation (a "foreign investor") generally will be subject to U.S. federal withholding tax at the rate of 30% (or possibly a lower rate provided by an applicable tax treaty) on ordinary income dividends (except as discussed below). In general, U.S. federal withholding tax and

U.S. federal income tax will not apply to any gain or income realized by a foreign investor in respect of any distributions of net capital gain or upon the sale or other disposition of Common Shares of the Fund. Different tax consequences may result if the foreign investor is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met. Foreign investors should consult their tax advisers regarding the tax consequences of investing in the Fund's Common Shares.

For the Fund’s taxable years beginning before January 1, 2012, properly-designated dividends are generally exempt from U.S. federal withholding tax where they (i) are paid in respect of the Fund’s “qualified net interest income” (generally, the Fund’s U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which the Fund is at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of the Fund’s “qualified short-term capital gains” (generally, the excess of the Fund’s net short-term capital gain over the Fund’s long-term capital loss for such taxable year). Depending on its circumstances, however, the Fund may designate all, some or none of its potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a foreign investor will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute Form). In the case of Common Shares held through an intermediary, the intermediary may withhold even if the Fund designates the payment as qualified net interest income or qualified short-term capital gain. Foreign investors should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of the Fund’s distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains.

In addition, after December 31, 2012, withholding at a rate of 30% will be required on dividends in respect of, and gross proceeds from the sale of, Common Shares held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which Common Shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, Common Shares held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any “substantial U.S. owners” or (ii) provides certain information regarding the entity’s “substantial U.S. owners,” which we will in turn provide to the Secretary of the Treasury. Non-U.S. Common Shareholders are encouraged to consult with their tax advisers regarding the possible implications of these rules on their investment in our Common Shares.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to non-corporate Common Shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you furnish the required information to the IRS.

The foregoing is a general summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Fund and its Common Shareholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive. Ordinary income and capital gain dividends may also be subject to state and local taxes. Common Shareholders are urged to consult their tax advisers regarding specific questions as to U.S. federal, state, local and foreign income or other taxes.

GENERAL INFORMATION

Book-Entry-Only Issuance

The Depository Trust Company (“DTC”) will act as securities depository for the Common Shares offered pursuant to the prospectus. The information in this section concerning DTC and DTC’s book-entry system is based upon information obtained from DTC. The securities offered hereby initially will be issued only as fully-registered securities registered in the name of Cede & Co. (as nominee for DTC). One or more fully-registered global security certificates initially will be issued, representing in the aggregate the total number of securities, and deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants deposit with DTC. DTC also facilities the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly through other entities.

Purchases of securities within the DTC system must be made by or through direct participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of a security, a beneficial owner, is in turn to be recorded on the direct or indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchases, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners purchased securities. Transfers of ownership interests in securities are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except as provided herein.

DTC has no knowledge of the actual beneficial owners of the securities being offered pursuant to the prospectus; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payments on the securities will be made to DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices and will be the responsibility of such participant and not of DTC or the Fund, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to DTC is the responsibility of the Fund, disbursement of such payments to direct participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. Furthermore each beneficial owner must rely on the procedures of DTC to exercise any rights under the securities.

DTC may discontinue providing its services as securities depository with respect to the securities at any time by giving reasonable notice to the Fund. Under such circumstances, in the event that a successor securities depository is not obtained, certificates representing the securities will be printed and delivered.

Proxy Voting Policy and Procedures and Proxy Voting Record

The Fund has delegated the voting of proxies relating to its portfolio securities to the Sub-Adviser. The Sub-Adviser's Proxy Voting Policy is included as Appendix B to this SAI.

Information on how the Fund voted proxies relating to portfolio securities during the most recent twelvemonth period ended June 30 is available without charge, upon request, by calling (800) 851-0264. The information is also available on the SEC's web site at www.sec.gov.

Principal Shareholders

As of December 30, 2011, to the knowledge of the Fund, no person beneficially owned more than 5% of the voting securities of any class of equity securities of the Fund, except as follows:

Shareholder Name & Address	Class of Shares	Share Holdings	Percentage Owned
First Trust Portfolios(1) 120 E. Liberty Drive Wheaton, IL 60187	Common Shares	490,620	5.3%

(1) Based on information obtained from a Schedule 13G filed with the SEC on January 25, 2011.

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, is special counsel to the Fund in connection with the issuance of the Common Shares.

Independent Registered Public Accounting Firm

Ernst & Young LLP, 155 North Wacker Drive, Chicago, Illinois 60606, is the independent registered public accounting firm of the Fund and is expected to render an opinion annually on the financial statements of the Fund. The Fund's audited financial statements appearing in the Fund's annual report to shareholders for the period ended May 31, 2011, including accompanying notes thereto and the report of Ernst & Young LLP thereon, have been included in this SAI in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Codes of Ethics

The Fund, the Investment Adviser and the Sub-Adviser each have adopted a code of ethics. The codes of ethics set forth restrictions on the trading activities of trustees/directors, officers and employees of the Fund, the Investment Adviser, the Sub-Adviser and their affiliates, as applicable. The codes of ethics of the Fund, the Investment Adviser and the Sub-Adviser are on file with the SEC and can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. The codes of ethics are also available on the EDGAR Database on the SEC's Internet site at http://www.sec.gov, and copies of the codes of ethics may be obtained, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders of

Guggenheim Strategic Opportunities Fund

We have audited the accompanying statement of assets and liabilities of Guggenheim Strategic Opportunities Fund (formerly Claymore/Guggenheim Strategic Opportunities Fund) (the Fund), including the portfolio of investments, as of May 31, 2011, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and for the period from July 27, 2007 (commencement of investment operations) through May 31, 2008. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of May 31, 2011, by correspondence with the custodian, agent banks and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Guggenheim Strategic Opportunities Fund at May 31, 2011, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended and for the period from July 27, 2007 (commencement of investment operations) through May 31, 2008, in conformity with U.S. generally accepted accounting principles.

Chicago, Illinois
July 27, 2011

PORTFOLIO OF INVESTMENTS MAY 31, 2011

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Long-Term Investments – 138.5%					
	Corporate Bonds – 40.2%					
	Advertising – 0.2%					
$ 400,000	MDC Partners, Inc. (Canada)(a)	B+	11.00%	11/01/2016	11/01/13 @ 106	$ 444,500
	Aerospace & Defense – 0.4%					
700,000	Sequa Corp.(b)	CCC	11.75%	12/01/2015	12/01/11 @ 106	749,000
	Airlines - 7.4%					
1,407,144	Aircraft Certificate Owner Trust, Series 2003-1A, Class D(b)	BB+	6.46%	09/20/2022	N/A	1,382,519
2,000,000	Aircraft Certificate Owner Trust, Series 2003-1A, Class E(b)	BB+	7.00%	09/20/2022	N/A	1,860,000
1,194,736	America West Airlines 2001-1 Pass-Through Trust, Series 011G(a)	BB+	7.10%	04/02/2021	N/A	1,183,505
1,130,923	Atlas Air 1998-1 Pass-Through Trust, Series 1998-1, Class A	NR	7.38%	01/02/2018	N/A	1,119,614
258,380	Atlas Air 1999-1 Pass-Through Trust, Series 99-1, Class A-2	NR	6.88%	07/02/2011	N/A	248,045
3,094,000	AWAS Aviation Capital Ltd. (Ireland)(a) (b)	BBB-	7.00%	10/15/2016	10/18/13 @ 104	3,210,025
329,354	Continental Airlines 2007-1 Pass-Through Trust, Series 071C	B+	7.34%	04/19/2014	N/A	329,354
1,000,000	Delta Air Lines 2011-1 Class A Pass-Through Trust, Class A(a)	A-	5.30%	04/15/2019	N/A	1,002,500
785,000	Global Aviation Holdings, Inc.(a)	BB-	14.00%	08/15/2013	08/15/12 @ 111	769,300
749,364	UAL 2000-1 Pass-Through Trust, Series 001B(a)	B	8.03%	07/01/2011	N/A	760,604
1,845,703	UAL 2009-2A Pass-Through Trust, Series 09-2(a)	BBB	9.75%	01/15/2017	N/A	2,113,330
						13,978,796
	Auto Parts & Equipment – 0.1%					
250,000	Exide Technologies(b)	B	8.63%	02/01/2018	02/01/15 @ 104	265,625
	Banks – 7.7%					
1,000,000		A	7.30 %	–		916,660

	Agfirst Farm Credit Bank(a) (b) (c)				07/05/11 @ 100	
1,250,000	Barclays Bank PLC (United Kingdom)(a) (c) (d)	A-	6.28 %	–	12/15/34 @ 100	1,106,600
1,200,000	BNP Paribas (France)(a) (b) (c) (d)	A	7.20 %	–	06/25/37 @ 100	1,188,000
350,000	Comerica Bank	A-	7.88 %	09/15/2026	N/A	422,262
1,000,000	Credit Agricole SA (France)(a) (b) (c) (d)	BBB+	6.64 %	–	05/31/17 @ 100	900,000
1,000,000	Fifth Third Bancorp(a)	BBB-	8.25 %	03/01/2038	N/A	1,247,392
1,000,000	KeyCorp Capital III(a)	BB	7.75 %	07/15/2029	N/A	1,067,045
1,250,000	Mellon Capital IV, Series 1(a) (c) (d)	A-	6.24 %	–	06/20/12 @ 100	1,150,000
1,250,000	Northgroup Preferred Capital Corp.(a) (b) (c) (d)	A	6.38 %	–	10/15/17 @ 100	1,233,087
700,000	PNC Preferred Funding Trust III(a) (b) (c) (d)	BBB	8.70 %	–	03/15/13 @ 100	747,159
500,000	Rabobank Nederland NV (Netherlands)(a) (b) (c) (d)	AA-	11.00 %	–	06/30/19 @ 100	650,900
1,400,000	Royal Bank of Scotland Group PLC, Series U (United Kingdom)(a) (c) (d)	C	7.64 %	–	09/29/17 @ 100	1,158,500
650,000	Susquehanna Capital II(a)	BB-	11.00 %	03/23/2040	03/23/15 @ 100	705,250
1,250,000	US AgBank FCB(a) (b) (c) (d)	A	6.11 %	–	07/10/12 @ 100	869,425
1,000,000	Wells Fargo Capital XIII, Series GMTN(a) (c) (d)	A-	7.70 %	–	03/26/13 @ 100	1,027,500
						14,389,780
	Building Materials – 0.7%					
1,250,000	Cemex SAB de CV (Mexico)(b)	B	9.00 %	01/11/2018	01/11/15 @ 105	1,303,125
	Commercial Services – 1.6%					
490,000	Bankrate, Inc.(b)	B	11.75 %	07/15/2015	07/15/13 @ 106	557,987
250,000	DynCorp International, Inc.(b)	B	10.38 %	07/01/2017	07/01/14 @ 105	265,000
2,050,000	NCO Group, Inc.	CCC-	11.88 %	11/15/2014	11/15/11 @ 103	1,783,500
280,000	PharmaNet Development Group, Inc.(a) (b)	B+	10.88 %	04/15/2017	04/15/14 @ 105	347,200
						2,953,687

See notes to financial statements.

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PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Computers – 0.6%					
$ 455,000	Compucom Systems, Inc.(b)	B	12.50%	10/01/2015	10/01/11 @ 106	$ 488,556
450,000	iGate Corp.(b)	B+	9.00%	05/01/2016	05/01/14 @ 105	462,375
250,000	Stratus Technologies, Inc.(a)	B-	12.00%	03/29/2015	04/15/13 @ 1,120	235,625
						1,186,556
	Distribution & Wholesale – 0.7%					
370,000	Baker & Taylor, Inc.(b)	CCC+	11.50%	07/01/2013	07/01/13 @ 100	308,950
1,000,000	Intcomex, Inc.(a)	B3	13.25%	12/15/2014	12/15/12 @ 107	1,040,000
						1,348,950
	Diversified Financial Services – 4.7%					
2,000,000	International Lease Finance Corp.(a) (b)	BBB-	7.13%	09/01/2018	N/A	2,190,000
4,563,027	Lancer Finance Co. SPV Ltd. (British Virgin Islands)(a) (b)	Baa3	5.85%	12/12/2016	N/A	4,706,941
2,000,000	Svensk Exportkredit AB (Sweden)(a) (b) (c)	A+	6.38%	–	09/27/11 @ 100	1,889,670
						8,786,611
	Electric – 0.5%					
1,000,000	Wisconsin Energy Corp.(a) (d)	BBB-	6.25%	05/15/2067	05/15/17 @ 100	1,012,500
	Engineering & Construction – 0.9%					
2,000,000	Alion Science and Technology Corp.	CCC	10.25%	02/01/2015	02/01/12 @ 103	1,650,000
	Entertainment – 2.0%					
874,000	Agua Caliente Band of Cahuilla Indians(b)	BB+	6.35%	10/01/2015	N/A	861,642
375,000	Diamond Resorts Corp.(b)	B-	12.00%	08/15/2018	08/15/14 @ 106	404,063
500,000	Downstream Development Authority of the Quapaw Tribe of Oklahoma(b)	B-	12.00%	10/15/2015	10/15/11 @ 109	542,500
1,350,000	Lions Gate Entertainment, Inc.(a) (b)	B-	10.25%	11/01/2016	11/01/13 @ 105	1,388,812
700,000	River Rock Entertainment Authority(a)	B-	9.75%	11/01/2011	07/05/11 @ 100	616,000
						3,813,017
	Food – 1.1%					

500,000	BI-LO, LLC / BI-LO Finance Corp.(b)	B	9.25%	02/15/2019	02/15/15 @ 105	517,500
1,500,000	Bumble Bee Acquisition Corp.(b)	B	9.00%	12/15/2017	12/15/14 @ 105	1,541,250
						2,058,750
	Forest Products & Paper – 0.1%					
250,000	Verso Paper Holdings, LLC / Verso Paper, Inc.(b)	B	8.75%	02/01/2019	02/01/15 @ 104	250,000
	Health Care Services – 0.5%					
250,000	Apria Healthcare Group, Inc.(a)	BB+	11.25%	11/01/2014	11/01/11 @ 106	264,063
275,000	OnCure Holdings, Inc.	B	11.75%	05/15/2017	05/15/14 @ 106	286,688
295,000	Symbion, Inc.(e)	CCC	11.00%	08/23/2015	08/23/12 @ 106	279,512
						830,263
	Household Products & Housewares – 0.7%					
1,445,000	American Achievement Corp.(b)	B	10.88%	04/15/2016	10/15/13 @ 105	1,354,688
	Housewares – 0.1%					
75,000	American Standards Americas(b)	B	10.75%	01/15/2016	01/15/13 @ 105	78,563
	Insurance – 4.8%					
1,000,000	Allstate Corp.(a) (d)	BBB	6.50%	05/15/2057	05/15/37 @ 100	1,022,500
1,000,000	American Financial Group, Inc.(a)	BBB+	9.88%	06/15/2019	N/A	1,253,453
1,000,000	AXA SA (France)(a) (b) (c) (d)	BBB	6.46%	–	12/14/18 @ 100	910,000

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Insurance (continued)					
$ 700,000	Blue Finance Ltd. (Cayman Islands)(b) (f) (g)	BB+	4.69 %	04/10/2012	10/08/11 @ 101	$ 693,140
800,000	Ironshore Holdings US, Inc.(a) (b)	BBB-	8.50 %	05/15/2020	N/A	890,528
1,000,000	MetLife Capital Trust IV(a) (b)	BBB	7.88 %	12/15/2037	12/15/32 @ 100	1,117,110
700,000	National Life Insurance Co.(a) (b)	BBB+	10.50 %	09/15/2039	N/A	918,697
800,000	Penn Mutual Life Insurance Co.(b)	A	7.63 %	06/15/2040	N/A	898,584
1,250,000	Progressive Corp.(a) (d)	A-	6.70 %	06/15/2037	06/15/17 @ 100	1,321,875
						9,025,887
	Internet – 0.8%					
1,510,000	GXS Worldwide, Inc.	B	9.75 %	06/15/2015	06/15/12 @ 105	1,536,425
	Investment Companies – 0.7%					
900,000	Offshore Group Investment Ltd. (Cayman Islands)	B-	11.50 %	08/01/2015	02/01/13 @ 109	992,250
210,000	Offshore Group Investments Ltd. (Cayman Islands)(b)	B-	11.50 %	08/01/2015	02/01/13 @ 109	231,000
						1,223,250
	Iron & Steel – 0.1%					
240,000	Standard Steel, LLC/Standard Steel Finance Corp.(b)	B	12.00 %	05/01/2015	05/01/13 @ 106	246,734
	Media – 0.3%					
500,000	DCP, LLC/DCP Corp.(b)	B+	10.75 %	08/15/2015	08/15/13 @ 105	468,750
	Mining – 0.6%					
1,025,000	Midwest Vanadium Pty Ltd. (Australia)(b)	B-	11.50 %	02/15/2018	02/15/15 @ 106	1,050,625
	Packaging & Containers – 0.9%					
1,325,000	Pregis Corp.	CCC	12.38 %	10/15/2013	10/15/11 @ 103	1,315,063
300,000	Pretium Packaging LLC / Pretium Finance, Inc.(b)	B	11.50 %	04/01/2016	04/01/14 @ 106	307,875
						1,622,938
	Retail – 0.9%					
800,000	CKE Restaurants, Inc.	B-	11.38 %	07/15/2018	07/15/14 @ 106	876,000
750,000	Liz Claiborne, Inc.(b)	B-	10.50 %	04/15/2019	04/15/14 @ 105	768,750

						1,644,750
	Software – 0.1%					
400,000	Open Solutions, Inc.(b)	CCC+	9.75 %	02/01/2015	02/01/12 @ 102	252,000
	Telecommunications – 0.8%					
1,086,000	Clearwire Communications, LLC/Clearwire Finance, Inc.(b)	CCC+	12.00 %	12/01/2015	12/01/12 @ 106	1,187,812
300,000	CommScope, Inc.(b)	B	8.25 %	01/15/2019	01/15/15 @ 104	314,250
						1,502,062
	Transportation – 0.2%					
400,000	United Maritime Group, LLC/United Maritime Group Finance Corp.(a)	B	11.75 %	06/15/2015	12/15/12 @ 106	420,000
	Total Corporate Bonds – 40.2%					
	(Cost $72,701,639)					75,447,832
	Asset Backed Securities – 50.2%					
	Automobile – 0.0%					
92,310	Bush Truck Leasing LLC, Class C(b)	NR	5.00 %	09/25/2018	N/A	92,070

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon		Maturity	Optional Call Provisions**		Value
	Collateralized Debt Obligation – 4.1%							
$ 1,371,214	Aspen Funding I Ltd., Series 2002-1A, Class A1L (Cayman Islands)(b) (f)	A	0.89	%	07/10/2037	N/A	$	1,121,804
217,062	Commodore CDO I Ltd., Series 1A, Class A (Cayman Islands)(b) (f)	BBB	0.78	%	02/24/2034	N/A		199,198
827,464	Coronado CDO Ltd., Series 1A, Class A1 (Cayman Islands)(b) (f)	BB+	0.77	%	09/04/2038	N/A		598,471
1,114,878	Diversified Asset Securitization Holdings III, Series 1A, Class A2 (Cayman Islands)(b)	A	7.42	%	07/05/2036	N/A		1,012,276
4,029,673	Duke Funding Ltd., Series 2003-5A, Class 1W (Cayman Islands)(b) (f)	CCC	0.82	%	08/07/2033	N/A		2,095,430
390,114	MWAM CBO Ltd., Series 2001-1A, Class A (Cayman Islands)(b) (f)	AA	1.00	%	01/30/2031	N/A		368,986
1,207,879	Putnam Structured Product CDO, Series 2002-1A, Class A2 (Cayman Islands)(b) (f)	BB+	0.88	%	01/10/2038	N/A		969,323
1,022,651	Putnam Structured Product CDO, Series 2003-A1LT, Class A1 (Cayman Islands)(b) (f)	BB-	0.65	%	10/15/2038	N/A		889,349
480,031	Saybrook Point CBO Ltd., Series 2001-1A, Class A (Cayman Islands)(b) (f)	BB	0.74	%	02/25/2031	N/A		442,214
								7,697,051
	Collateralized Loan Obligation – 19.5%							
500,000	Alm Loan Funding, Series 2010-3A, Class C (Cayman Islands)(b) (f)	Baa2	4.26	%	11/20/2020	N/A		506,075
300,000	ARCC Commercial Loan Trust, Series 2006-1A, Class C(b) (f)	BB+	1.01	%	12/20/2019	N/A		270,750
635,902	Armstrong Loan Funding Ltd., Series 2008-1A, Class B (Cayman Islands)(b) (f)	AA+	1.27	%	08/01/2016	N/A		622,955

2,000,000	Black Diamond CLO Ltd., Series 2006-1A, Class B (Cayman Islands)(b) (f)	A+	0.66 %	04/29/2019	N/A	1,706,500
2,000,000	Black Diamond CLO Ltd., Series 2006-1A, Class C (Cayman Islands)(b) (f)	BBB+	0.96 %	04/29/2019	N/A	1,593,560
2,776,587	Business Loan Express, Series 2006-AA, Class A(a) (b) (f)	AAA	0.44 %	10/20/2038	N/A	1,862,549
822,936	Business Loan Express, Series 2007-AA, Class A(b) (f)	AAA	0.60 %	10/20/2040	05/20/20 @ 100	543,138
3,000,000	CapitalSource Commercial Loan Trust, Series 2006-2A, Class C(b) (f)	BBB+	0.88 %	09/20/2022	07/20/12 @ 100	2,671,903
750,000	CapitalSource Commercial Loan Trust, Series 2006-2A, Class D(b) (f)	B+	1.72 %	09/20/2022	N/A	655,980
1,000,000	Churchill Financial Cayman Ltd., Series 2007-1A, Class C (Cayman Islands)(b) (f)	A+	1.54 %	07/10/2019	N/A	812,360
1,000,000	Churchill Financial Cayman Ltd., Series 2007-1A, Class D2 (Cayman Islands)(b)	BBB+	8.37 %	07/10/2019	N/A	1,002,490
250,000	Cratos CLO Ltd., Series 2007-1A, Class C (Cayman Islands)(b) (f)	AA-	1.36 %	05/19/2021	N/A	195,000
500,000	DFR Middle Market CLO Ltd., Series 2007-1A, Class C(b) (f)	A	2.57 %	07/20/2019	N/A	451,755
800,000	Eastland CLO Ltd., Series 2007-1A, Class A2B (Cayman Islands)(a) (b) (f)	A+	0.60 %	05/01/2022	N/A	622,712
500,000	Emporia Preferred Funding, Series 2005-1A, Class B1 (Cayman Islands)(b) (f)	AA-	0.84 %	10/12/2018	N/A	428,980
1,000,000	Emporia Preferred Funding, Series 2005-1A, Class C (Cayman Islands)(b) (f)	A-	1.24 %	10/12/2018	N/A	832,340
500,000	FM Leveraged Capital Fund, Series 2005-1A, Class B (Cayman Islands)(b) (f)	A+	0.86 %	08/01/2017	N/A	437,075
1,000,000	Friedbergmilstein Private Capital Fund, Series 2004-1A, Class B2 (Cayman Islands)(b)	AA	5.41 %	01/15/2019	N/A	943,880
1,000,000	GSC Partners CDO Fund Ltd., Series 2006-7A, Class C (Cayman Islands)(b) (f)	BBB+	1.26 %	05/25/2020	N/A	660,000
1,000,000	MC Funding Ltd. / MC Funding 2006-1, LLC, Series 2006-1A, Class C (Cayman Islands)(b) (f)	Baa3	1.26 %	12/20/2020	N/A	810,970
800,000	Mountain View Funding CLO, Series 2007-3A, Class A2	AAA	0.62 %	04/16/2021	N/A	713,880

	(Cayman Islands)(b) (f)					
1,000,000	Nantucket CLO Ltd., Series 2006-1A, Class B (Cayman Islands)(b) (f)	AA	0.68 %	11/24/2020	N/A	868,620
500,000	Navigator CDO Ltd., Series 2004-1A, Class B2 (Cayman Islands)(b)	BB+	5.59 %	01/14/2017	N/A	493,125
1,500,000	Rosedale CLO Ltd., Series I-A, Class AIJ (Cayman Islands)(b) (f)	A+	0.68 %	07/24/2021	N/A	1,342,905
514,262	Sargas CLO II Ltd., Series 2006-1A, Class E (Cayman Islands)(f)	B+	4.27 %	10/20/2018	N/A	491,685
1,000,000	Standard Chartered PLC (United Kingdom)(f)	NR	0.29 %	01/09/2013	N/A	901,250
2,000,000	Stanfield Modena CLO Ltd., Series 2004-1A, Class C (Cayman Islands)(b) (f)	BBB-	1.56 %	09/22/2016	N/A	1,873,300
600,000	Start CLO Ltd., Series 2006-2, Class C (Cayman Islands)(f)	A+	1.06 %	06/29/2012	N/A	599,352
1,000,000	Start CLO Ltd., Series 2006-2, Class D (Cayman Islands)(f)	BBB+	2.16 %	06/29/2012	N/A	998,440
500,000	Start CLO Ltd., Series 2008-5X, Class C (Cayman Islands)	NR	22.14 %	01/09/2013	N/A	497,875
2,000,000	TCW Global Project Fund, Series 2004-1A, Class A1 (Cayman Islands)(b) (f)	AAA	1.18 %	06/15/2016	N/A	1,759,760
2,000,000	TCW Global Project Fund, Series 2004-1A, Class B1 (Cayman Islands)(b) (f)	BBB	2.23 %	06/15/2016	N/A	1,322,020

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Collateralized Loan Obligation (continued)					
$ 1,000,000	TCW Global Project Fund, Series 2005-1A, Class B2 (Cayman Islands)(b)	A	5.79 %	09/01/2017	N/A	$ 848,580
4,000,000	Telos CLO Ltd., Series 2006-1A, Class A2 (Cayman Islands)(a) (b) (f)	AA+	0.69 %	10/11/2021	N/A	3,504,800
2,500,000	Telos CLO Ltd., Series 2006-1A, Class B (Cayman Islands)(a) (b) (f)	A+	0.78 %	10/11/2021	N/A	2,071,475
1,000,000	Zohar CDO, Series 2007-3A, Class A2 (Cayman Islands)(b) (f)	BB+	0.86 %	04/15/2019	N/A	605,860
						36,523,899
	Commercial Real Estate – 0.9%					
2,000,000	Wrightwood Capital Real Estate CDO Ltd., Series 2005-1A, Class A1 (Cayman Islands)(b) (f)	AAA	0.58 %	11/21/2040	N/A	1,780,000
	Commercial Receivables – 1.4%					
500,000	FCC Financing Subsidiary, LLC, Series 2010-1A, Class B(b) (f)	NR	12.95 %	03/31/2017	N/A	550,000
2,000,000	HFG Healthco-4, LLC, Series 2006-1A, Class A(b) (f)	Aa2	0.59 %	06/05/2012	N/A	1,999,560
						2,549,560
	Credit Card – 2.5%					
1,000,000	LCP Rights Trust, Series 2010-1, Class A	BB	14.55 %	07/17/2017	N/A	999,930
290,323	LCP Rights Trust, Series 2010-1, Class C	B	19.21 %	07/17/2017	N/A	290,279
714,286	LCP Rights Trust, Series 2010-1, Class D	BB	14.55 %	01/15/2016	N/A	714,186
1,500,000	LCP Rights Trust, Series 2010-1, Class F	B	19.21 %	01/15/2016	N/A	1,499,610
500,000	LCP Rights Trust, Series 2010-1, Class G	BB	11.71 %	09/18/2018	N/A	499,980
200,000	LCP Rights Trust, Series 2010-1, Class H	BB	14.56 %	09/18/2018	N/A	199,986

400,000	LCP Rights Trust, Series 2010-1, Class I	NR	18.29 %	09/18/2018	N/A	399,952
						4,603,923
	Financial – 0.0%					
34,047	Blue Falcon, Series A-2(b)	NR	3.21 %	12/25/2016	N/A	33,599
	Insurance – 2.1%					
1,623,697	321 Henderson Receivables I, LLC, Series 2007-3A, Class A(a) (b)	BBB	6.15 %	10/15/2048	08/15/35 @ 100	1,730,632
400,647	321 Henderson Receivables I, LLC, Series 2008-1A, Class A(a) (b)	AA+	6.19 %	01/15/2044	06/15/24 @ 100	452,089
500,000	321 Henderson Receivables I, LLC, Series 2008-1A, Class B(a) (b)	AA	8.37 %	01/15/2046	02/15/28 @ 100	569,121
500,000	321 Henderson Receivables I, LLC, Series 2008-1A, Class C(b)	A	9.36 %	01/15/2048	07/15/29 @ 100	570,996
500,000	321 Henderson Receivables I, LLC, Series 2008-1A, Class D(b)	BBB	10.81 %	01/15/2050	05/15/31 @ 100	603,672
						3,926,510
	Other – 0.8%					
1,500,000	Glenn Pool Oil & Gas Trust	NR	6.00 %	08/02/2021	N/A	1,492,500
	Student Loan – 0.1%					
363,237	MRU Student Loan Trust, Series 2008-A, Class A1A(b)	AAA	7.40 %	01/25/2041	N/A	155,008
202,567	MRU Student Loan Trust, Series 2008-A, Class B(b) (f)	AA	5.77 %	01/25/2041	N/A	42,539
202,567	MRU Student Loan Trust, Series 2008-1A, Class C(b) (f)	A	7.77 %	01/25/2041	N/A	34,436
						231,983
	Timeshare – 2.1%					
1,840,674	Diamond Resorts Owner Trust, Series 2009-1, Class A(a) (b)	A	9.31 %	03/20/2026	11/20/13 @ 100	1,858,367
986,178	Sierra Receivables Funding Co., Series 2006-1A, Class A1(a) (b)	BBB-	5.84 %	05/20/2018	06/20/12 @ 100	1,010,617
451,897	Silverleaf Finance, LLC, Series 2010-A, Class B(b)	BBB	8.00 %	07/15/2022	09/15/15 @ 100	437,894
600,000	Silverleaf Finance, LLC, Series 2011-A, Class A(b)	NR	9.00 %	06/15/2023	N/A	562,000
						3,868,878

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Transportation – 9.8%					
$ 1,879,179	Aircraft Lease Securitisation Ltd., Series 2007-1A, Class G3 (Channel Islands)(a) (b) (f)	A-	0.47 %	05/10/2032	N/A	$ 1,757,032
13,408,051	Airplanes Pass-Through Trust, Series 2001-1A, Class A9(a) (f)	CCC	0.75 %	03/15/2019	N/A	9,016,915
983,371	Aviation Capital Group Trust, Series 2000-1A, Class A1(b) (f)	BB	0.68 %	11/15/2025	N/A	642,879
5,131,002	Aviation Capital Group Trust, Series 2003-2A, Class B1(a) (b) (f)	BBB	3.20 %	09/20/2033	N/A	4,310,042
721,933	Blade Engine Securitization Ltd., Series 2006-1A, Class B (Cayman Islands)(b) (f)	BBB+	3.20 %	09/15/2041	N/A	608,907
83,121	Helios Finance LP, Series 2007-S1, Class B1 (Cayman Islands)(b) (f)	BBB	0.90 %	10/20/2014	N/A	82,750
1,128,259	Lease Investment Flight Trust, Series 1, Class A3(a) (f)	B+	0.63 %	07/15/2016	N/A	1,105,693
778,552	Vega Containervessel PLC, Series 2006-1A, Class A (Ireland)(a) (b)	Ba3	5.56 %	02/10/2021	N/A	731,839
						18,256,057
	Trust Preferred Stock – 1.8%					
6,000,000	Attentus CDO Ltd., Series 2007-3A, Class A1B (Cayman Islands)(b) (f)	AAA	0.55 %	10/11/2042	N/A	3,288,480
	Whole Business – 5.1%					
500,000	Adams Outdoor Advertising LP, Series 2010-1, Class B(a) (b)	Ba2	8.84 %	12/20/2040	N/A	536,520
1,000,000	Adams Outdoor Advertising LP, Series 2010-1, Class C(a) (b)	B3	10.76 %	12/20/2040	N/A	1,076,289
1,488,068	Cajun Global LLC, Series 2011-1A, Class A2(a) (b)	BBB	5.96 %	02/20/2041	N/A	1,540,151
3,760,000	Dominos Pizza Master Issuer, LLC, Series 2007-1, Class A2(a) (b)	BBB-	5.26 %	04/25/2037	04/25/12 @ 100	3,816,400
600,000	NuCO2 Funding, LLC, Series 2008-1A, Class A1(b)	Baa2	7.25 %	06/25/2038	N/A	634,428

2,000,000	Sonic Capital LLC, Series 2011-1A, Class A2(a) (b)	BBB	5.44	% 05/20/2041	N/A	2,020,000
						9,623,788
	Total Asset Backed Securities – 50.2%					
	(Cost $85,876,520)					93,968,298
	Collateralized Mortgage Obligations – 26.4%					
	Commercial Mortgage Backed Securities – Traditional – 22.0%					
500,000	Banc of America Commercial Mortgage, Inc., Series 2003-2, Class G(b) (f)	A-	5.34	% 03/11/2041	N/A	474,009
1,000,000	Banc of America Commercial Mortgage, Inc., Series 2004-5, Class B(a) (f)	AA+	5.06	% 11/10/2041	N/A	1,028,687
600,000	Banc of America Commercial Mortgage, Inc., Series 2005-5, Class AJ(a) (f)	BBB+	5.15	% 10/10/2045	N/A	611,320
1,500,000	Bear Stearns Commercial Mortgage Securities, Series 2005-PW10, Class AJ(a) (f)	BB+	5.47	% 12/11/2040	N/A	1,453,632
500,000	Citigroup Commercial Mortgage Trust, Series 2004-C2, Class E(b) (f)	A-	5.02	% 10/15/2041	N/A	468,596
1,200,000	Citigroup Commercial Mortgage Trust, Series 2007-C6, Class AM(f)	BBB+	5.70	% 12/10/2049	N/A	1,235,888
2,000,000	Citigroup/Deutsche Bank Commercial Mortgage Trust, Series 2005-CD1, Class AJ(a) (f)	A3	5.22	% 07/15/2044	N/A	1,963,787
13,500,000	Commercial Mortgage Pass-Through Certificates, Series 2006-C7, Class A4(a) (f) (i)	AAA	5.75	% 06/10/2046	N/A	15,042,630
1,000,000	Commercial Mortgage Pass-Through Certificates, Series 2006-C7, Class AM(a) (f)	A	5.78	% 06/10/2046	N/A	1,049,593
1,000,000	Commercial Mortgage Pass-Through Certificates, Series 2006-CN2A, Class F(a) (b) (f)	CCC+	5.57	% 02/05/2019	N/A	979,080
1,500,000	Credit Suisse Mortgage Capital Certificates, Series 2006-C3, Class AM(a) (f)	BBB-	5.82	% 06/15/2038	N/A	1,585,666
600,000	GS Mortgage Securities Corp. II, Series 2001-GL3A, Class E(b) (f)	A2	6.85	% 08/05/2018	N/A	600,455
500,000		BBB-	3.58	% 03/06/2020	N/A	495,360

	GS Mortgage Securities Corp. II, Series 2007-EOP, Class H(a) (b) (f)					
1,000,000	JP Morgan Chase Commercial Mortgage Securities Corp., Series 2005-LDP3, Class AJ(a) (f)	BBB	4.97 %	08/15/2042	N/A	993,217
2,600,000	JP Morgan Chase Commercial Mortgage Securities Corp., Series 2007-LD11, Class AM(a) (f)	BB+	5.82 %	06/15/2049	N/A	2,507,344
2,000,000	Morgan Stanley Capital I, Series 2005-HQ6, Class AJ(a) (f)	A-	5.07 %	08/13/2042	N/A	2,011,959
200,000	Morgan Stanley Capital I, Series 2005-IQ9, Class C	A-	4.91 %	07/15/2056	N/A	190,600
1,000,000	Morgan Stanley Capital I, Series 2006-HQ10, Class AM(a)	Aa2	5.36 %	11/12/2041	N/A	1,034,011
1,250,000	Morgan Stanley Capital I, Series 2006-IQ12, Class AM(a)	A	5.37 %	12/15/2043	N/A	1,263,079
1,000,000	Morgan Stanley Capital I, Series 2006-T23, Class AM(a) (f)	A+	5.80 %	08/12/2041	N/A	1,072,611

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Commercial Mortgage Backed Securities – Traditional (continued)					
$ 2,000,000	TIAA Seasoned Commercial Mortgage Trust, Series 2007-C4, Class AJ(a) (f)	A+	5.98 %	08/15/2039	N/A	$ 2,046,480
2,000,000	Wachovia Bank Commercial Mortgage Trust, Series 2005-C20, Class AJ(a) (f)	BBB-	5.15 %	07/15/2042	N/A	2,038,153
1,000,000	Wachovia Bank Commercial Mortgage Trust, Series 2005-C21, Class AJ(a) (f)	A-	5.20 %	10/15/2044	N/A	1,027,594
						41,173,751
	Commercial Mortgage Backed Security – Military Housing – 0.9%					
1,000,000	Hampton Roads PPV, LLC(a) (b)	Ba2	6.07 %	12/15/2041	N/A	810,630
1,000,000	Hampton Roads PPV, LLC(a) (b)	Ba2	6.17 %	06/15/2053	N/A	796,710
						1,607,340
	Commercial Mortgage Backed Security – Non-Traditional – 0.4%					
750,000	Timberstar Trust, Series 2006-1A, Class C(a) (b)	A	5.88 %	10/15/2036	N/A	797,253
	Residential Mortgage Backed Securities – 3.1%					
808,929	Asset Backed Funding Certificates, Series 2005-AQ1, Class A6(a) (h)	AAA	4.78 %	06/25/2035	04/25/21 @ 100	793,752
2,801,575	Countrywide Home Equity Loan Trust, Series 2004-S, Class 1A(f)	CCC	0.44 %	02/15/2030	N/A	1,676,521
100,718	Deutsche ALT-A Securities, Inc. Alternate Loan Trust, Series 2006-AB4, Class A1A(f)	CCC	6.01 %	10/25/2036	01/25/18 @ 100	59,187
486,930	GSAA Trust, Series 2007-5, Class 1F2A(a) (f)	CCC	5.79 %	03/25/2047	05/25/29 @ 100	373,253
769,441	IndyMac Index Mortgage Loan Trust, Series 2006-AR9, Class 3A1(f)	Caa1	5.27 %	06/25/2036	05/25/20 @ 100	677,982

370,386	New Century Home Equity Loan Trust, Series 2004-A, Class AII9(f)	BBB+	5.23 %	08/25/2034	08/25/18 @ 100	357,649
1,056,866	TBW Mortgage Backed Pass-Through Certificates, Series 2006-6, Class A3(h)	D	5.75 %	01/25/2037	05/25/18 @ 100	579,435
2,432,141	TBW Mortgage Backed Pass-Through Certificates, Series 2006-6, Class A5B(h)	D	6.04 %	01/25/2037	05/25/18 @ 100	1,337,118
						5,854,897
	Total Collateralized Mortgage Obligations – 26.4% (Cost $45,555,195)					49,433,241
	Term Loans – 3.1% (j)					
	Electronics – 0.2%					
283,064	Clientlogic Corp.(f)	B+	5.79 %	01/30/2014	N/A	283,889
	Health Care, Education & Childcare – 0.5%					
834,167	Embanet(f)	CCC	3.28 %	06/28/2012	N/A	814,839
	Leisure – 0.7%					
1,379,436	Bushnell Performance Optics(f)	BB-	4.57 %	08/24/2013	N/A	1,355,296
	Retail – 0.8%					
1,110,391	Deb Shops, Inc.(f)	CCC	10.00 %	04/23/2014	N/A	494,124
962,500	Mattress Holding Corp.(f)	B	2.56 %	10/23/2014	N/A	921,594
150,000	Targus Group International, Inc.(f)	B	9.75 %	05/25/2016	N/A	147,750
						1,563,468
	Technology – 0.9%					
493,750	Flexera Software, Inc.(f)	BB-	7.50 %	01/20/2017	N/A	497,145
1,000,000	Information Global Solutions(f)	NR	6.44 %	03/02/2014	N/A	905,000
300,000	Sirva Worldwide, Inc.(f)	B	10.75 %	03/17/2017	N/A	292,875
						1,695,020
	Transportation – 0.0%					
34,630	Carey International, Inc.(f).	NR	9.00 %	01/25/2014	N/A	13,852
	Total Term Loans – 3.1% (Cost $6,332,196)					5,726,364

See notes to financial statements.

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PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Principal Amount	Description	Rating (S&P)*	Coupon		Value
	Preferred Stocks – 2.7%				
	Banks – 0.6%				
40,000	BB&T Capital Trust VI(a)	BBB	9.60	%	$ 1,063,200
	Diversified Financial Services – 0.6%				
50,000	Deutsche Bank Contingent Capital Trust II(a)	BBB+	6.55	%	1,250,000
37,600	Lehman Brothers Holdings, Inc., Series J(k)	NR	7.95	%	413
					1,250,413
	Insurance – 0.3%				
20,000	Aegon NV PFD (Netherlands)(a)	BBB	6.38	%	477,000
3,800	ING Groep NV (Netherlands)(a)	B	7.05	%	90,934
					567,934
	Telecommunications – 0.6%				
1,000	Centaur Funding Corp. (Cayman Islands)(b)	Baa3	9.08	%	1,170,625
	Transportation – 0.6%				
40,000	Seaspan Corp., Series C (Marshall Islands)	NR	9.50	%	1,104,800
	Total Preferred Stocks – 2.7%				
	(Cost $5,704,813)				5,156,972
	Exchange Traded Funds – 15.8%				
80,900	Financial Select Sector SPDR Fund(a) (l)				1,282,265
24,900	iShares Dow Jones US Real Estate Index Fund(a) (l)				1,563,720
52,800	PowerShares QQQ Trust, Series 1(a) (l)				3,081,408
28,100	ProShares Ultra S&P500(a) (l)				1,545,219
26,000	SPDR Dow Jones Industrial Average ETF Trust(a) (l)				3,263,000
121,600	SPDR S&P 500 ETF Trust(a) (l)				16,402,624
28,800	SPDR S&P Retail ETF(a) (l)				1,559,232
25,000	Utilities Select Sector SPDR Fund(a) (l)				846,750
	(Cost $27,666,745)				29,544,218
	Exchange Traded Notes – 0.1%				
	Equity Fund – 0.1%				
2,800	iPATH S&P 500 VIX MID-Term Futures ETN(a) (l) (m)				139,468
	(Cost $172,131)				
	Total Long-Term Investments – 138.5%				

(Cost $244,009,239)	259,416,393

See notes to financial statements.

PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Number of Shares	Description	Rating (S&P)*	Coupon	Maturity	Optional Call Provisions**	Value
	Short-Term Investments – 2.6%					
	Money Market – 2.1%					
4,019,312	Federated Prime Obligation Fund					$ 4,019,312
	(Cost $4,019,312)					
Principal Amount	Municipal Bonds – 0.5%					
	Michigan – 0.5%					
$ 400,000	Michigan Finance Authority State Aid Revenue Notes, School District of the City of Detroit, Series 2011A-1	SP-1	6.45 %	02/20/2012	N/A	405,968
480,000	Michigan Finance Authority State Aid Revenue Notes, School District of the City of Detroit, Series 2011A-2	SP-1	6.65 %	03/20/2012	N/A	487,973
	(Cost $880,000)					893,941
	Short-Term Investments – 2.6%					
	(Cost $4,899,312)					4,913,253
	Total Investments – 141.1%					
	(Cost $248,908,551)					264,329,646
	Other Assets in excess of Liabilities – 2.2%					4,082,231
	Total Value of Options Written – (0.2%) (Premiums received – $383,942)					(408,713)
	Borrowings – (12.0%)					(22,432,914)
	Reverse Repurchase Agreements – (25.4%)					(47,618,513)
	TALF Loan – (5.7%)					(10,618,934)
	Net Assets – 100.0%o					$ 187,332,803

AB – Stock Company
CBO – Collateralized Bond Obligation
CDO – Collateralized Debt Obligation
CLO – Collateralized Loan Obligation
FCB – Farmers Credit Bureau
LLC – Limited Liability Company

LP – Limited Partnership
N/A- Not Available
NV – Publicly Traded Company
PLC – Public Limited Company
PPV – Public/private venture
Pty Ltd. – Propriety Limited
SA – Corporation
S&P – Standard & Poor's
SAB de CV – Publicly Traded Company
SPV – Special Purpose Vehicle

* Ratings shown are per Standard & Poor's, Moody's or Fitch. Securities classified as NR are not rated. (For securities not rated by Standard & Poor's Rating Group, the rating by Moody's Investor Services, Inc. is provided. Likewise, for securities not rated by Standard & Poor's Rating Group and Moody's Investor Services, Inc., the rating by Fitch Ratings is provided.)All ratings are unaudited.
The ratings apply to the credit worthiness of the issuers of the underlying securities and not to the Fund or its shares.

** Date and price of the earliest optional call or put provision. There may be other call provisions at varying prices at later dates.

(a) All or a portion of these securities have been physically segregated in connection with borrowings, unfunded commitments and reverse repurchase agreements. As of May 31, 2011, the total amount segregated was $158,690,792.

(b) Securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At May 31, 2011, these securities amounted to $124,540,460, which represents 66.5% of net assets applicable to common shares.

(c) Perpetual maturity.

(d) Security has a fixed rate coupon which will convert to a floating or variable rate coupon on a future date.

(e) The issuer of this security may elect to pay interest entirely in cash, entirely by issuing payment-in-kind shares or pay 50% of the interest in cash and 50% of the interest by issuing payment-in-kind shares.

(f) Floating or variable rate coupon. The rate shown is as of May 31, 2011.

(g) Risk-Linked Security –A risk-linked security is issued by insurance companies and insurance related special purpose vehicles that apply securitization techniques to catastrophic property and casualty damages. The security is typically a debt obligation for which the return of principal and the payment of interest are contingent on the non-occurrence of a pre-defined "trigger event." Depending on the specific terms and structure of the security, this trigger could be the result of a hurricane, earthquake or some other catastrophic event.

(h) Security is a "Step-up" bond where the coupon increases or steps up at a predetermined date. The rate shown reflects the rate in effect at he end of the reporting period.

(i) All or a portion of this security was acquired, and has been physically segregated in connection with the Fund's participation in the Term Asset-Backed Securities Loan Facility program (the "TALF program") operated by the Federal Reserve Bank of NewYork. At May 31, 2011, the total amount physically segregated was $15,042,630. See notes financial statements.

(j) Term loans held by the Fund have a variable interest rate feature which is periodically adjusted based on an underlying interest rate benchmark. In addition, term loans may include mandatory and/or optional prepayment terms. As a result, the actual maturity dates of the loan may be different than the amounts disclosed in the portfolio of investments. Term loans may be considered restricted in that the Fund may be contractually obligated to secure approval from the Agent Bank and/or Borrower prior to the sale or disposition of loan.

(k) Non-income producing as security is in default.

(l) All or a portion of this security position represents cover for outstanding options written.

(m) Non-income producing security.

See notes to financial statements.

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PORTFOLIO OF INVESTMENTS MAY 31, 2011 (CONTINUED)

Contracts (100 shares per contract)	Options Written (m)	Expiration Month	Exercise Price	Value
	Call Options Written - (0.2%)			
809	Financial Select Sector SPDR Fund	June 2011	$16.00	$(11,326)
28	iPATH S&P 500 VIX Mid-Term Futures ETF	June 2011	52.00	(1,610)
249	iShares Dow Jones US Real Estate Index Fund	June 2011	62.00	(31,374)
1,216	SPDR S&P 500 ETF Trust	June 2011	134.00	(246,848)
528	Powershares QQQ Trust, Series 1	June 2011	59.00	(20,064)
281	ProShares Ultra S&P 500	June 2011	55.00	(31,332)
260	SPDR Dow Jones Industrial Average ETF	June 2011	127.00	(15,470)
288	SPDR S&P Retail ETF	June 2011	53.00	(44,064)
250	Utilities Select Sector SPDR Fund	June 2011	34.00	(6,625)
	Total Value of Call Options Written			$(408,713)
	(Premiums received $383,942)			

See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES MAY 31, 2011

Assets	
Investments in securities, at value (cost $248,908,551)	$264,329,646
Securities sold receivable	2,751,219
Interest receivable	2,189,191
Cash	1,489,601
Unrealized appreciation on swaps	933,236
Restricted cash	562,500
Dividends receivable	8,197
Other assets	185,700
Total assets	272,449,290
Liabilities	
Reverse repurchase agreements	47,618,513
Borrowings	22,432,914
Payable on TALF Loan	10,618,934
Payable for securities purchased	3,371,018
Options written, at value (premiums received of $383,942)	408,713
Advisory fee payable	226,176
Interest due on borrowings	98,640
Unrealized depreciation on unfunded commitments	76,813
Administration fee payable	5,797
Accrued expenses and other liabilities	258,969
Total liabilities	85,116,487
Net Assets	$187,332,803
Composition of Net Assets	
Common stock, $.01 par value per share; unlimited number of shares authorized, 9,317,708 shares issued and outstanding	$93,177
Additional paid-in capital	169,360,097
Accumulated net realized gain on investments, options, futures and swaps	709,042
Accumulated net unrealized appreciation on investments, options, swaps and unfunded commitments	16,252,747
Accumulated undistributed net investment income	917,740
Net Assets	$187,332,803
Net Asset Value (based on 9,317,708 common shares outstanding)	$20.11

See notes to financial statements.

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STATEMENT OF OPERATIONS FOR THE YEAR ENDED MAY 31, 2011

Investment Income		
Interest	$ 22,125,499	
Dividends	567,827	
Total income		$ 22,693,326
Expenses		
Investment advisory fee	2,461,526	
Interest expense	1,479,174	
Professional fees	193,215	
Fund accounting fee	120,954	
Trustees' fees and expenses	107,487	
Printing expense	88,716	
Administration fee	64,231	
Custodian fee	60,061	
Line of credit fee	57,936	
NYSE listing fee	21,607	
Transfer agent fee	20,118	
Insurance	14,629	
Miscellaneous	45,967	
Total expenses		4,735,621
Net investment income		17,957,705
Realized and Unrealized Gain (Loss) on Investments, Options, Swaps and Unfunded Commitments		
Net realized gain (loss) on:		
Investments		6,054,799
Options		(954,183)
Swaps		4,125,332
Net change in unrealized appreciation (depreciation) on:		
Investments		14,407,511
Options		(245,155)
Swaps		(318,839)
Unfunded commitments		(76,813)
Net realized and unrealized gain on investments, options, swaps and unfunded commitments		22,992,652
Net Increase in Net Assets Resulting from Operations		$ 40,950,357

See notes to financial statements.

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STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended May 31, 2011	For the Year Ended May 31, 2010
Increase in Net Assets from Operations		
Net investment income	$ 17,957,705	$ 16,099,616
Net realized gain on investments, options, foreign currency transaction, futures and swaps	9,225,948	4,755,490
Net change in unrealized appreciation on investments, options, swaps and unfunded commitments	13,766,704	43,077,264
Net increase in net assets resulting from operations	40,950,357	63,932,370
Distributions to Common Shareholders		
From net investment income	(17,370,509)	(16,931,384)
Capital Share Transactions		
Reinvestment of dividends	1,969,567	1,706,887
Net increase from capital share transactions	1,969,567	1,706,887
Total increase in net assets	25,549,415	48,707,873
Net Assets		
Beginning of period	161,783,388	113,075,515
End of period (including accumulated undistributed net investment income of $917,740 and $860,558, respectively)	$187,332,803	$161,783,388

See notes to financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MAY 31, 2011

Cash Flows from Operating Activities:	
Net increase in net assets resulting from operations	$40,950,357
Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to	
Net Cash Used by Operating and Investing Activities:	
Net unrealized appreciation on investments	(14,407,511)
Net unrealized depreciation on options	245,155
Net unrealized depreciation on swaps	318,839
Net unrealized depreciation on unfunded commitments	76,813
Net accretion of bond discount and amortization of bond premium	(6,427,542)
Net realized gain on investments	(6,054,799)
Paydowns received	(3,152,962)
Net realized loss on options	954,183
Purchase of long-term investments	(167,086,777)
Cost of written options closed	(7,421,639)
Premiums received on call options written	6,149,013
Proceeds from sale of long-term investments	150,748,809
Net purchases of short-term investments	(4,899,312)
Decrease in dividends receivable	34,136
Increase in interest receivable	(459,673)
Increase in securities sold receivable	(2,751,219)
Increase in other assets	(87,773)
Increase in payable for securities purchased	3,029,768
Decrease in interest due on borrowings	(257,459)
Increase in advisory fee payable	28,704
Increase in administration fee payable	574
Increase in accrued expenses and other liabilities	46,778
Net Cash Used by Operating and Investing Activities	(10,423,537)
Cash Flows From Financing Activities:	
Distributions to common shareholders	(15,400,942)
Net increase in reverse repurchase agreements	15,997,268
Decrease in payable on TALF loan	(11,337)
Proceeds from borrowings	1,567,742
Payments made on borrowings	(6,000,197)
Net Cash Used in Financing Activities	(3,847,466)
Net decrease in cash	(14,271,003)
Cash at Beginning of Period	16,323,104
Cash at End of Period (including restricted cash)	$2,052,101
Supplemental Disclosure of Cash Flow Information: Cash paid during the period for interest	$1,380,534
Supplemental Disclosure of Non Cash Financing Activity: Dividend reinvestment	$1,969,567

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011

Note 1 – Organization:

Effective following the close of business on March 24, 2011, Clay-more/Guggenheim Strategic Opportunities Fund announced that its name had changed to Guggenheim Strategic Opportunities Fund. Guggenheim Strategic Opportunities Fund (the "Fund") was organized as a Delaware statutory trust on November 13, 2006. The Fund is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended ("1940 Act").

The Fund's primary investment objective is to maximize total return through a combination of current income and capital appreciation.

Note 2 – Accounting Policies:

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from these estimates.

The following is a summary of significant accounting policies consistently followed by the Fund.

(a) Valuation of Investments

The Fund values equity securities at the last reported sale price on the principal exchange or in the principal over-the-counter ("OTC") market in which such securities are traded, as of the close of regular trading on the New York Stock Exchange ("NYSE") on the day the securities are being valued or, if there are no sales, at the mean between the last available bid and asked prices on that day. Securities traded on the NASDAQ are valued at the NASDAQ Official Closing Price. Preferred stocks are valued at their sales price as of the close of the exchange on which they are traded. Preferred stocks for which the last sales price is not available are valued at the last available bid price. Debt securities (including asset-backed securities, collateralized mortgage obligations and term loans) are valued at the last available bid price. If bids are not available, debt securities are estimated using valuation models that incorporate market data that may include assumptions relating to current yields, timing of cash flows, dealer quotes, prepayment risk, value of underlying collateral, general market conditions, liquidity and prices of other debt securities with comparable coupon rates, maturities/duration, and credit quality. Municipal bonds are valued at the last available bid price for such securities or, if such prices are not available, at priced for securities of comparable maturity, quality and type. Foreign securities are translated from the local currency into U.S. dollars using the current exchange rate. The Fund's securities that are primarily traded in foreign markets may be traded in such markets on days that the NYSE is closed. As a result, the net asset value of the Fund may be significantly affected on days when holders of common shares have no ability to trade common shares on the NYSE. Investment companies are valued at the last available closing price. The Fund values exchange-traded options and other derivative contracts at the mean of the best bid and asked prices at the close on those exchanges on which they are traded. Short-term securities with remaining maturities of 60 days or less, at the time of purchase, are valued at amortized cost, which approximates market value.

For fixed income securities, fair valuations may include input from Guggenheim Partners Asset Management, LLC ("GPAM") utilizing a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity, rating, indications of value from security dealers, evaluations of anticipated cash flows or collateral, spread over treasuries, and other information and analysis. GPAM also uses third party service providers to model certain securities using cash flow models to represent a fair market value.

For those securities where quotations or prices are not available, the valuations are determined in accordance with procedures established in good faith by management and approved by the Board of Trustees. Valuations in accordance with these procedures are intended to reflect each security's (or asset's) "fair value." Such "fair value" is the amount that the Fund might reasonably expect to receive for the security (or asset) upon its current sale. Each such determination should be based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security, (iii) the existence of any contractual restrictions on the security's disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company's financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security). There were no securities fair valued at May 31, 2011.

The Fund has elected to value the Term Asset-Backed Securities Loan Facility ("TALF loan") using the fair value option, as permitted by GAAP, to mitigate the volatility in net assets caused by measuring related assets and liabilities differently. The fair value option requires that the TALF loan be marked-to-market giving consideration to relevant market factors, including changes in the market value of the pledged collateral. At May 31, 2011, the pledged collateral exceeded the value of the TALF loan.

The Fund adopted the Accounting Standards Update ("ASU"), Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements which provides guidance on how investment assets and liabilities are to be valued and disclosed. Specifically, the amendment requires reporting entities to disclose i) the input and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements, for Level 2 or Level 3 positions, ii) transfers between all levels (including Level 1 and Level 2) on a gross basis (i.e. transfers out must be disclosed separately from transfers in) as well as the reason(s) for the transfer, and iii) purchases, sales, issuances and settlements must be shown on a gross basis in the Level 3 rollforward rather than as one net number. The Fund adopted the disclosures required by this amendment, which did not have a material impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

The Fund values Level 1 securities using readily available market quotations in active markets. The Fund values Level 2 fixed income securities using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. In addition, the Fund values certain Level 2 fixed income securities using broker quotes. The Fund values Level 2 equity securities using various observable market inputs in accordance with procedures established in good faith by management and approved by the Board of Trustees as described above.

The following table represents the Fund's investments carried on the Statement of Assets and Liabilities by caption and by level within the fair value hierarchy at May 31, 2011.

Description (value in $000s)	Level 1	Level 2	Level 3	Total
Assets:				
Corporate Bonds	$–	$75,448	$–	$75,448
Asset Backed Securities	–	93,968	–	93,968
Collateralized Mortgage Obligations	–	49,433	–	49,433
Term Loans	–	5,726	–	5,726
Municipal Bonds	–	894	–	894
Preferred Stocks				
Banks	1,063	–	–	1,063
Diversified Financial Services	1,250	–	* –	1,250
Insurance	568	–	–	568
Telecommunications	–	1,171	–	1,171
Transportation	1,105	–	–	1,105
Exchange-Traded Funds	29,544	–	–	29,544
Exchange-Traded Notes	140	–	–	140
Money Market Fund	4,019	–	–	4,019
Interest Rate Swaps	–	1,486	–	1,486
Total	$37,689	$228,126	$–	$265,815
Liabilities:				
Credit Default Swaps	$–	$553	$–	$553
TALF Loan	–	10,619	–	10,619
Options Written	409	–	–	409
Unfunded Commitments	–	77	–	77
Total	$409	$11,249	$–	$11,658

* Amount rounds to less than $1.

There were no transfers between Level 1 and Level 2 during the year ended May 31, 2011. There were three transfers, in the amount of $4,646,880, from Level 3 to Level 2 during the year ended May 31, 2011. The transfers from Level 3 to Level 2 occurred when observable valuation inputs became available for these securities.

The following table presents the activity of the Fund's investments measured at fair value using significant unobservable inputs (Level 3 valuations) for the year ended May 31, 2011.

Level 3 Holdings	Securities	Derivatives	Total
(value in $000s)			
Beginning Balance			
at 5/31/10	$4,632	$–	$4,632
Net Realized Gain/Loss	–	–	–
Change in Unrealized			
Gain/Loss	15	–	15
Purchases	–	–	–
Sales	–	–	–
Transfer In	–	–	–
Transfer Out	(4,647)	–	(4,647)
Ending Balance at 5/31/11	$–	$–	$–

(b)Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Paydown gains and losses on mortgage and asset-backed securities are treated as an adjustment to interest income. For the year ended May 31, 2011, the Fund recognized an increase of interest income and a decrease of net realized gain of $3,152,962. This reclassification is reflected on the Statement of Operations and had no effect on the net asset value of the Fund. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts on debt securities purchased are accreted to interest income over the lives of the respective securities using the effective interest method. Premiums on debt securities purchased are amortized to interest income up to the next call date of the respective securities using the effective interest method.

(c) Restricted Cash

A portion of cash on hand is pledged with a broker for current or potential holdings, which includes options, swaps and securities purchased on a when issued or delayed delivery basis.

(d)Swaps

A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Fund may enter into swap agreements to manage its exposure to interest rates and/or credit risk or to generate income. The swaps are valued daily at current market value and any unrealized gain or loss is included in the Statement of Assets and Liabilities. Gain or loss is realized on the termination date of the swap and is equal to the difference between the Fund’s basis in the swap and the proceeds of the closing transaction, including any fees. During the period that the swap agreement is open, the Fund may be subject to risk from the potential inability of the counterparty to meet the terms of the agreement. The swaps involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. Upon termination of a swap agreement, a payable to or receivable from swap counterparty is established on the Statement of Assets and Liabilities to reflect the net gain/loss, including interest income/expense, on terminated swap positions. The line item is removed upon settlement according to the terms of the swap agreement.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

Realized gain (loss) upon termination of swap contracts is recorded on the Statement of Operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation (depreciation) of swap contracts. Net periodic payments received by the Fund are included as part of realized gain (loss) and, in the case of accruals for periodic payments, are included as part of unrealized appreciation (depreciation) on the Statement of Operations.

(e) Covered Call Options

The Fund will pursue its primary objective by employing an option strategy of writing (selling) covered call options on equity securities and indices. The Fund seeks to generate current gains from option premiums as a means to enhance distributions payable to the Fund's common shareholders.

When an option is written, the premium received is recorded as an asset with an equal liability and is subsequently marked to market to reflect the current market value of the option written. These liabilities are reflected as options written in the Statement of Assets and Liabilities. Premiums received from writing options which expire unexercised are recorded on the expiration date as a realized gain. The difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If an option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss.

(f) Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the mean of the bid and asked price of respective exchange rates on the last day of the period. Purchases and sales of investments denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Foreign exchange realized gain or loss resulting from holding of a foreign currency, expiration of a currency exchange contract, difference in exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends or interest actually received compared to the amount shown in a Fund's accounting records on the date of receipt is shown as net realized gains or losses on foreign currency transactions on the Fund's Statement of Operations.

Foreign exchange unrealized gain or loss on assets and liabilities, other than investments, is shown as unrealized appreciation (depreciation) on foreign currency translation on the Fund's Statement of Operations.

(g) Distributions to Shareholders

The Fund declares and pays monthly dividends to common shareholders. These dividends consist of investment company taxable income, which generally includes qualified dividend income, ordinary income and short-term capital gains. To the extent distributions exceed net investment income, the excess will be deemed a return of capital. Any net realized long-term capital gains are distributed annually to common shareholders.

Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.

(h) Recent Accounting Pronouncements

On May 12, 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-04, modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (“IASB”) issued International Financial Reporting Standard (“IFRS”) 13, Fair Value Measurement. The objective by the FASB and IASB is convergence of their guidance on fair value measurements and disclosures. Specifically, the ASU requires reporting entities to disclose (i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, (ii) for Level 3 fair value measurements, quantitative information about significant unobservable inputs used, (iii) a description of the valuation processes used by the reporting entity and, (iv) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of the ASU is for interim and annual periods beginning after December 15, 2011, and is therefore not effective for the current fiscal year. The Adviser is in the process of assessing the impact of the updated standards on the Fund’s financial statements.

Note 3 – Investment Advisory Agreement, Sub-Advisory Agreement and Other Agreements:

Pursuant to an Investment Advisory Agreement (the “Agreement”) between the Fund and Guggenheim Funds Investment Advisors, LLC (“the Adviser”), the Adviser furnishes offices, necessary facilities and equipment, provides administrative services, oversees the activities of GPAM, provides personnel including certain officers required for the Fund’s administrative management and compensates the officers or trustees of the Fund who are affiliates of the Adviser. As compensation for these services, the Fund pays the Adviser a fee, payable monthly, in an amount equal to 1.00% of the Fund’s average daily managed assets (net assets applicable to common shareholders plus any assets attributable to financial leverage).

Pursuant to a Sub-Advisory Agreement (the “Sub-Advisory Agreement”) among the Fund, the Adviser and GPAM, GPAM under the supervision of the Fund’s Board of Trustees and the Adviser, provides a continuous investment program for the Fund’s portfolio, provides investment research, makes and executes recommendations for the purchase and sale of securities and provides certain facilities and personnel, including certain officers required for its administrative management and pays the compensation of all officers and trustees of the Fund who are GPAM’s affiliates. As compensation for its services, the Adviser pays GPAM a fee, payable monthly, in an annual amount equal to 0.50% of the Fund’s average daily managed assets.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

Certain officers and trustees of the Fund may also be officers, directors and/or employees of the Adviser or GPAM. The Fund does not compensate its officers or trustees who are officers, directors and/or employees of the aforementioned firms.

Under a separate Fund Administration agreement, the Adviser provides fund administration services to the Fund. As compensation for services performed under the Administration Agreement, the Adviser receives a fund administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Fund.

Managed Assets	Rate
First $200,000,000	0.0275%
Next $300,000,000	0.0200%
Next $500,000,000	0.0150%
Over $1,000,000,000	0.0100%

For the year ended May 31, 2011, the Fund recognized expenses of $64,231 for these services.

The Bank of New York Mellon ("BNY") acts as the Fund's custodian, accounting agent, and transfer agent. As custodian, BNY is responsible for the custody of the Fund's assets. As accounting agent, BNY is responsible for maintaining the books and records of the Fund's securities and cash. As transfer agent, BNY is responsible for performing transfer agency services for the Fund.

Note 4 – Federal Income Taxes:

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Fund intends not to be subject to U.S. federal excise tax.

At May 31, 2011, the following reclassifications were made to the capital accounts of the Fund to reflect permanent book/tax differences and income and gains available for distributions under income tax regulations, which are primarily due to the differences between book and tax treatment of investments in real estate trusts, swaps, and excise taxes paid. Net investment income, net realized gains and net assets were not affected by these changes.

Undistributed Net Investment Income/(Loss)	Accumulated Net Realized Gain/(Loss)	Paid in Capital
$(530,014)	$546,414	$(16,400)

Information on the components of investments, excluding purchased and written options, and net assets as of May 31, 2011, is as follows:

Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments	Net Tax Unrealized Appreciation on Derivatives	Undistributed Ordinary Income/ (Accumulated Ordinary Loss)	Undistributed Long-Term Gains/ (Accumulated Capital Loss)
$249,464,458	$22,073,057	$(7,207,869)	$14,865,188	$1,380,980	$1,633,361	$ –

The differences between book basis and tax basis unrealized appreciation (depreciation) is attributable to the tax deferral of losses on wash sales.

For the year ended May 31, 2011, the tax character of distributions paid to common shareholders as reflected in the Statement of Changes in Net Assets was as follows:

Distributions paid from	2011	2010
Ordinary Income	$17,370,509	$16,931,384

For all open tax years and all major jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e. generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

Note 5 – Investments in Securities:

During the year ended May 31, 2011, the cost of purchases and proceeds from sales of investments, excluding written options and short-term investments were $167,086,777 and $150,748,809, respectively.

Note 6 – Derivatives: (a) Covered Call Option

An option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from (in the case of a call) or sell to (in the case of a put) the writer of the option the security underlying the option at a specified exercise or “strike” price. The writer of an option on a security has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price (in the case of a call) or to pay the exercise price upon delivery of the underlying security (in the case of a put).

There are several risks associated with transactions in options on securities. As the writer of a covered call option, the Fund forgoes, during the option’s life, the opportunity to profit from increases in the

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

market value of the security covering the call option above the sum of the premium and the strike price of the call, but has retained 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 writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price.

The Fund entered into written option contracts during the year ended May 31, 2011.

Details of the transactions were as follows:

	Number of Contracts	Premiums Received
Options outstanding, beginning of year	10,539	$ 818,148
Options written during the year	118,340	6,149,013
Options expired during the year	(47,863)	(1,287,902)
Options closed during the year	(70,893)	(4,240,753)
Options assigned during the year	(6,214)	(1,054,564)
Options outstanding, end of year	3,909	$ 383,942

(b)Swaps

Swap agreements are contracts between parties in which one party agrees to make periodic payments to the other party (the “Counter-party”) based on the change in market value or level of a specified rate, index or asset. In return, the Counterparty agrees to make periodic payments to the first party based on the return of a different specified rate, index or asset. Swap agreements will usually be done on a net basis, the Fund receiving or paying only the net amount of the two payments. The net amount of the excess, if any, of the Fund’s obligations over its entitlements with respect to each swap is accrued on a

daily basis and an amount of cash or highly liquid securities having an aggregate value at least equal to the accrued excess is maintained in an account at the Fund’s custodian bank. The Fund has entered into master netting arrangements, established within the Fund’s International Swap and Derivatives Association, Inc. master agreements, which allow the Fund to net unrealized appreciation and depreciation for positions in swaps for each individual counterparty.

Total return swap agreements are contracts in which one party agrees to make payments of the total return from the underlying asset during a specified period in return for receiving payments equal to a fixed or floating rate of interest or the total return from another designated underlying asset.

Interest rate swap agreements involve the Fund’s agreement to exchange a stream of interest payments for another party’s stream of cash flows.

Credit default swap transactions involve the Fund’s agreement to exchange the credit risk of an issuer. A buyer of a credit default swap is said to buy protection by paying periodic fees in return for a contingent payment from the seller if the issuer has a credit event such as bankruptcy, a failure to pay outstanding obligations or deteriorating credit while the swap is outstanding. A seller of a credit default swap is said to sell protection and thus collects the periodic fees and profits if the credit of the issuer remains stable or improves while the swap is outstanding but the seller in a credit default swap contract would be required to pay an agreed-upon amount, which approximates the notional amount of the swap, to the buyer in the event of an adverse credit event of the issuer.

The Fund entered into swap agreements during the year ended May 31, 2011, to potentially enhance return. Details of the swap agreements outstanding as of May 31, 2011, are as follows:

Credit Default Swap Agreements

Counterparty	Reference Entity	Buy/Sell Protection	Termination Date	Implied Credit Spread at May 31, 2011 (2)	Notional Amount (000)	Receive Fixed Rate	Unrealized Appreciation/ (Depreciation)
Goldman Sachs(1)	Basket of distinct corporate entities	Sell	09/20/14	7.12%	$ 3,000	1.180%	$ (552,675)

Interest Rate Swap Agreements

Counterparty	Floating Rate	Termination Date	Notional Amount (000)	Receive Fixed Rate	Unrealized Appreciation (Depreciation)
Goldman Sachs (3)	3 Month LIBOR	01/04/38	$ 10,000	5.675%	$ 782,468
Goldman Sachs (3)	3 Month LIBOR	01/12/15	10,000	3.155	150,493
Goldman Sachs (3)	3 Month LIBOR	07/07/38	5,000	5.753	348,150
Goldman Sachs (3)	3 Month LIBOR	07/07/38	5,000	5.940	70,500
Goldman Sachs (3)	3 Month LIBOR	01/12/15	5,000	3.095	134,300
					$1,485,911
Total Unrealized Appreciation for Swap Agreements					$ 933,236

(1) The Fund receives a fixed rate based upon the notional amount of $3 million and if a defined credit event occurs, pays cumulative losses in excess of a stated percentage on an underlying basket of distinct corporate entities with an aggregate notional value of $3 billion. The maximum loss exposure is $3 million.

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NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

(2)Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundless and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced entity or obligation.

(3)The Fund pays the floating rate and receives the fixed rate.

(c) Summary of Derivatives Information

The Fund is required by GAAP to disclose: a) how and why a fund uses derivative instruments, b) how derivatives instruments and related hedge fund items are accounted for, and c) how derivative instruments and related hedge items affect a fund's financial position, results of operations and cash flows.

The following table presents the types of derivatives in the Fund by location as presented on the Statement of Assets Liabilities at May 31, 2011.

Statement of Asset and Liability Presentation of Fair Values of Derivative Instruments:

(value in $000s)				
	Asset Derivatives		Liability Derivatives	
Derivatives not accounted for as hedging instruments	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity risk	Unrealized appreciation on swaps	$ –	Options Written	$409
Interest rate risk	Unrealized appreciation on swaps	1,486	Unrealized depreciation on swaps	–
Credit risk	Unrealized appreciation on swaps	–	Unrealized depreciation on swaps	553
Total		$1,486		$962

The following table presents the effect of Derivatives Instruments on the Statement of Operations for the year ended May 31, 2011.

Effect of Derivative Instruments on the Statement of Operations:

(value in $000s)			
Amount of Realized Gain (Loss) on Derivatives			
Derivatives not accounted for as hedging instruments	Options	Swaps	Total

Equity risk	$ (954)	$ 1,699	$ 745
Interest rate risk	–	2,390	2,390
Credit risk	–	36	36
Total	$ (954)	$ 4,125	$ 3,171

Change in Unrealized Appreciation (Depreciation) on Derivatives

Derivatives not accounted for as hedging instruments	Options	Swaps	Total
Equity risk	$ (245)	$ (88)	$ (333)
Interest rate risk	–	(908)	(908)
Credit risk	–	677	677
Total	$ (245)	$ (319)	$ (564)

Derivative notional amounts and values as of May 31, 2011, are indicative of the volume of the Fund's derivatives over the reporting year.

Note 7 – Leverage:

Reverse Repurchase Agreements

The Fund may enter into reverse repurchase agreements as part of its financial leverage strategy. 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) and price, which reflects an interest payment. Such agreements are considered to be borrowings under the 1940 Act. 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 instruments transferred to another party or the instruments 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. For the year ended May 31, 2011, the average daily balance for which reverse repurchase agreements were outstanding amounted to $37,018,252. The average interest rate was 2.13%. At May 31, 2011, there was $47,618,513 in reverse repurchase agreements outstanding. The total amount segregated in connection with the outstanding reverse repurchase agreements was $84,245,545.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

At May 31, 2011, the Fund had outstanding reverse repurchase agreements with various counterparties. Details of the reverse repurchase agreements by counterparty are as follows:

Counterparty	Range of Interest Rates		Range of Maturity Dates		Face Value
Banc of America Securities LLC	1.27% - 2.02	%	07/20/11 - 08/16/11	$	5,120,875
Barclays Capital, Inc.	0.85% - 2.31	%	06/03/11 - 09/25/14		13,616,446
Credit Suisse Securities LLC	1.50	%	07/07/11 - 07/18/11		2,030,877
Deutsche Bank Securities, Inc.	2.76	%	08/10/11		1,380,000
Goldman Sachs & Co.	2.76	%	08/17/11		212,340
Greenwich Capital Markets, Inc.	1.45% - 2.20	%	06/24/11 - 08/10/11		9,326,100
Jefferies & Co., Inc.	2.44% - 2.79	%	06/06/11 - 06/30/11		6,722,000
Morgan Stanley & Co., Inc.	1.05% - 1.50	%	06/01/11 - 08/15/11		9,209,875
				$	47,618,513

Borrowings

On November 20, 2008, the Fund entered into a $30,000,000 credit facility agreement with BNP Paribas. Interest on the amount borrowed is based on the 3-month LIBOR plus 0.85%. An unused commitment fee of 0.75% is charged on the difference between the $30,000,000 credit facility and the amount borrowed. At May 31, 2011, there was $22,432,914 outstanding in connection with the Fund's credit facility. The average daily amount of borrowings on the credit facility during the year ended May 31, 2011, was $22,399,880 with a related average interest rate of 1.21%. The maximum amount outstanding during the year ended May 31, 2011 was $26,727,551. As of May 31, 2011, the total amount segregated in connection with borrowings was $65,334,776.

The credit facility agreement governing the loan facility includes usual and customary covenants. These covenants impose on the Fund asset coverage requirements, collateral requirements, investment strategy requirements, and certain financial obligations. These covenants place limits or restrictions on the Fund's ability to (i) enter into additional indebtedness with a party other than the lender, (ii) change its fundamental investment policy, or (iii) pledge to any other party, other than to the lender, securities owned or held by the Fund over which BNY has a lien. In addition, the Fund is required to deliver financial information to the lender within established deadlines, maintain an asset coverage ratio (as defined in Section 18(g) of the 1940 Act) greater than 300%, comply with the rules of the stock exchange on which its share are listed, and maintain its classification as a "closed-end fund company" as defined in the 1940 Act.

TALF Program

The Fund may invest a portion of its total assets through participation in the Term Asset-Backed Securities Loan Facility program (the "TALF program"), a program developed by the Board of Governors of the Federal Reserve System and the U.S. Department of the Treasury

and operated by the Federal Reserve Bank of New York ("FRBNY"). Under the TALF program, the FRBNY may provide loans to the Fund to purchase certain investment-grade, asset-backed securities which must be backed by auto loans, student loans, credit card loans, small business loans or certain commercial mortgage-backed securities ("Eligible Securities").

Per the terms of the TALF Program, the FRBNY lends to each borrower an amount equal to the lesser of par or market value of the Eligible Securities pledged as collateral minus a percentage of the par or market value of the Eligible Securities. The Fund pledges Eligible Securities as collateral for a TALF Program loan, which consist of securities that the Fund currently owns or securities that the Fund purchases with the loan proceeds. Loans acquired through the TALF Program may be prepaid at the option of the Fund without any prepayment penalty, and the Fund may satisfy its loan obligation in full at any time by surrendering the Eligible Securities pledged by the Fund to the FRBNY. The TALF program loans are non-recourse. If the Fund does not repay the loan, or if the Eligible Securities pledged by the Fund loses some or all of its value, under the terms of the TALF Program the FRBNY may enforce its rights only against the Eligible Securities pledged as collateral by the Fund and not against any other assets of the Fund.

The Fund is charged interest based on the terms of each loan and the type of Eligible Securities pledged as collateral by the Fund. During the year ended May 31, 2011, the Fund paid $419,464 of interest expense, which is included in Interest expense on the Statement of Operations.

As of May 31, 2011, borrowings under the TALF Program represent 3.9% of the Fund's total assets.

Details of the TALF loan outstanding at May 31, 2011, are as follows:

Loan Principal Amount	Loan Type	Collateral Description
$10,618,934	Commercial Mortgage Obligation	Commercial Mortgage Pass Through Certificates

Loan Interest Rate	Loan Maturity Date	Loan Value	Collateral Value
3.796%	9/25/14	$10,618,934	$15,042,630

Note 8 – Loan Commitments

Pursuant to the terms of certain Term Loan agreements, the Fund held unfunded loan commitments of as of May 31, 2011. The Fund is obligated to fund these loan commitments at the borrower's discretion. The Fund intends to reserve against such contingent obligations by designating cash, liquid securities, and liquid term loans as a reserve. As of May 31, 2011, the total amount segregated in connection with unfunded commitments was $9,100,471. The unrealized depreciation on these commitments of $76,813 as of May 31, 2011 is reported as "Unrealized depreciation on unfunded commitments” on the Statement of Assets and Liabilities.

NOTES TO FINANCIAL STATEMENTS MAY 31, 2011 (CONTINUED)

At May 31, 2011, the Fund had the following unfunded loan commitments which could be extended at the option of the borrower:

Borrower	Expiration Date	Principal Amount	Unrealized Appreciation/ (Depreciation)
Endo Pharmaceuticals	10/10/2011	$1,000,000	$ –
Level 3 Communications LLC	4/21/2012	500,000	–
PTS Catalent	4/10/2013	500,000	(28,313)
Rural/Metro	9/28/2011	300,000	–
ServiceMaster	7/24/2013	800,000	(48,500)
Solera	8/15/2011	1,000,000	–
		$4,100,000	$ (76,813)

Note 9 – Capital:
Common Shares

The Fund has an unlimited amount of common shares, $0.01 par value, authorized and 9,317,708 issued and outstanding.

Transactions in common shares were as follows:

	Year Ended May 31, 2011	Year Ended May 31, 2010
Beginning Shares	9,215,636	9,105,240
Shares issued through dividend reinvestment	102,072	110,396
Ending Shares	9,317,708	9,215,636

Note 10 – Indemnifications:

In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would require future claims that may be made against the Fund that have not yet occurred. However, the Fund expects the risk of loss to be remote.

Note 11 – Subsequent Event:

The Fund evaluated subsequent events through the date the financial statements were available for issue and determined there were no additional material events that would require disclosure in the Fund's financial statements, except as noted below.

On June 1, 2011, the Fund declared a monthly dividend to common shareholders of $0.154 per common share. The dividend was payable on June 30, 2011, to shareholders of record on June 15, 2011.

On July 1, 2011, the Fund declared a monthly dividend to common shareholders of $0.154 per common share. The dividend was payable on July 29, 2011, to shareholders of record on July 15, 2011.

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Appendix A

DESCRIPTION OF SECURITIES RATINGS

STANDARD & POOR'S CORPORATION

A brief description of the applicable Standard & Poor's Corporation ("S&P") rating symbols and their meanings (as published by S&P) follows.

A Standard & Poor's issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long term or short term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days — including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Long-Term Issue Credit Ratings. Issue credit ratings are based, in varying degrees, on S&P's analysis of the following considerations:

- Likelihood of payment capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation;
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

BBB An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, and C Obligations rated ‘BB’, ‘B’, ‘CCC’, ‘CC’, and ‘C’ are regarded as having significant speculative characteristics. ‘BB’ indicates the least degree of speculation and ‘C’ the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB An obligation rated ‘BB’ is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

B An obligation rated ‘B’ is more vulnerable to nonpayment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

CCC An obligation rated ‘CCC’ is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC An obligation rated ‘CC’ is currently highly vulnerable to nonpayment.

C A ‘C’ rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the ‘C’ rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument’s terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D An obligation rated ‘D’ is in payment default. The ‘D’ rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor’s believes that such payments will be made during such grace period. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation’s rating is lowered to ‘D’ upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

Plus (+) or minus (-) The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

NR This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

Short-Term Issue Credit Ratings

A-1 A short-term obligation rated ‘A-1’ is rated in the highest category by S&P. The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.

A-2 A short-term obligation rated ‘A-2’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitment on the obligation is satisfactory.

A-3 A short-term obligation rated ‘A-3’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B A short-term obligation rated ‘B’ is regarded as having significant speculative characteristics. Ratings of ‘B-1’, ‘B-2’, and ‘B-3’ may be assigned to indicate finer distinctions within the ‘B’ category. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

B-1 A short-term obligation rated ‘B-1’ is regarded as having significant speculative characteristics, but the obligor has a relatively stronger capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.

B-2 A short-term obligation rated ‘B-2’ is regarded as having significant speculative characteristics, and the obligor has an average speculative-grade capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.

B-3 A short-term obligation rated ‘B-3’ is regarded as having significant speculative characteristics, and the obligor has a relatively weaker capacity to meet its financial commitments over the short-term compared to other speculative-grade obligors.

C A short-term obligation rated ‘C’ is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D A short-term obligation rated ‘D’ is in payment default. The ‘D’ rating category is used when payments on an obligation, including a regulatory capital instrument, are not made on the date due even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

SPUR (S&Ps Underlying Rating) This is a rating of a stand-alone capacity of an issue to pay debt service on a credit-enhanced debt issue, without giving effect to the enhancement that applies to it. These ratings are published only at the request of the debt issuer/obligor with the designation SPUR to distinguish them from the credit-enhanced rating that applies to the debt issue. S&P maintains surveillance of an issue with a published SPUR.

Municipal Short-Term Note Ratings Definitions.

A S&P’s U.S. Municipal note rating reflects S&P’s opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P’s analysis will review the following considerations:

- Amortization schedule — the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and
- Source of payment — the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

A–3

Dual Ratings S&P assigns “dual” ratings to all debt issues that have a put option or demand feature as part of their structure. The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term rating symbols are used for bonds to denote the long-term maturity and the short-term rating symbols for the put option (for example, ‘AAA/A-1+’). With U.S. municipal short-term demand debt, note rating symbols are used with the short-term issue credit rating symbols (for example, ‘SP-1+/A-1+’).

The ratings and other credit related opinions of S&P and its affiliates are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of ratings and credit related opinions should not rely on them in making any investment decision. S&P’s opinions and analyses do not address the suitability of any security. S&P’s Financial Services LLC does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings and credit related opinions may be changed, suspended, or withdrawn at any time.

Active Qualifiers (Currently Applied and/or Outstanding)

i This subscript is used for issues in which the credit factors, terms, or both, that determine the likelihood of receipt of payment of interest are different from the credit factors, terms or both that determine the likelihood of receipt of principal on the obligation. The ‘i’ subscript indicates that the rating addresses the interest portion of the obligation only. The ‘i’ subscript will always be used in conjunction with the ‘p’ subscript, which addresses likelihood of receipt of principal. For example, a rated obligation could be assigned ratings of “AAAp NRi” indicating that the principal portion is rated “AAA” and the interest portion of the obligation is not rated.

L Ratings qualified with ‘L’ apply only to amounts invested up to federal deposit insurance limits.

p This subscript is used for issues in which the credit factors, the terms, or both, that determine the likelihood of receipt of payment of principal are different from the credit factors, terms or both that determine the likelihood of receipt of interest on the obligation. The ‘p’ subscript indicates that the rating addresses the principal portion of the obligation only. The ‘p’ subscript will always be used in conjunction with the ‘i’ subscript, which addresses likelihood of receipt of interest. For example, a rated obligation could be assigned ratings of “AAAp NRi” indicating that the principal portion is rated “AAA” and the interest portion of the obligation is not rated.

pi Ratings with a ‘pi’ subscript are based on an analysis of an issuer’s published financial information, as well as additional information in the public domain. They do not, however, reflect in-depth meetings with an issuer’s management and therefore may be based on less comprehensive information than ratings without a ‘pi’ subscript. Ratings with a ‘pi’ subscript are reviewed annually based on a new year’s financial statements, but may be reviewed on an interim basis if a major event occurs that may affect the issuer’s credit quality.

preliminary Preliminary ratings, with the ‘prelim’ qualifier, may be assigned to obligors or obligations, including financial programs, in the circumstances described below. Assignment of a final rating is conditional on the receipt by S&P of appropriate documentation. S&P reserves the right not to issue a final rating. Moreover, if a final rating is issued, it may differ from the preliminary rating.

- Preliminary ratings may be assigned to obligations, most commonly structured and project finance issues, pending receipt of final documentation and legal opinions.
-

Preliminary ratings are assigned to Rule 415 Shelf Registrations. As specific issues, with defined terms, are offered from the master registration, a final rating may be assigned to them in accordance with Standard & Poor's policies.

- Preliminary ratings may be assigned to obligations that will likely be issued upon the obligor's emergence from bankruptcy or similar reorganization, based on late-stage reorganization plans, documentation and discussions with the obligor. Preliminary ratings may also be assigned to the obligors. These ratings consider the anticipated general credit quality of the reorganized or postbankruptcy issuer as well as attributes of the anticipated obligation(s).

- Preliminary ratings may be assigned to entities that are being formed or that are in the process of being independently established when, in S&P's opinion, documentation is close to final.
Preliminary ratings may also be assigned to these entities' obligations.

- Preliminary ratings may be assigned when a previously unrated entity is undergoing a well- formulated restructuring, recapitalization, significant financing or other transformative event, generally at the point that investor or lender commitments are invited. The preliminary rating may be assigned to the entity and to its proposed obligation(s). These preliminary ratings consider the anticipated general credit quality of the obligor, as well as attributes of the anticipated obligation(s), assuming successful completion of the transformative event. Should the transformative event not occur, S&P would likely withdraw these preliminary ratings.

  - A preliminary recovery rating may be assigned to an obligation that has a preliminary issue credit rating.

sf The (sf) subscript is assigned to all issues and issuers to which a regulation, such as the European Union Regulation on Credit Rating Agencies, requires the assignment of an additional symbol which distinguishes a structured finance instrument or obligor (as defined in the regulation) from any other instrument or obligor. The addition of this subscript to a credit rating does not change the definition of that rating or our opinion about the issue's or issuer's creditworthiness.

t This symbol indicates termination structures that are designed to honor their contracts to full maturity or, should certain events occur, to terminate and cash settle all their contracts before their final maturity date.

unsolicited Unsolicited ratings are those credit ratings assigned at the initiative of S&P and not at the request of the issuer or its agents.

MOODY'S INVESTORS SERVICE, INC.

A brief description of the applicable Moody's Investors Service, Inc. ("Moody's") rating symbols and their meanings (as published by Moody's) follows.

Long-Term Obligation Ratings. Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

A–5

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short-Term Ratings. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Note: Canadian issuers rated P-1 or P-2 have their short-term ratings enhanced by the senior-most long-term rating of the issuer, its guarantor or support-provider.

US Municipal Short-Term Debt Ratings. There are three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (MIG) and are divided into three levels — MIG 1 through MIG 3. In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade. MIG ratings expire at the maturity of the obligation.

MIG 1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG 3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Demand Obligation Ratings. In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned; a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of the degree of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of the degree of risk associated with the ability to receive purchase price upon demand

(“demand feature”), using a variation of the MIG rating scale, the Variable Municipal Investment Grade or VMIG rating.

When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.

VMIG rating expirations are a function of each issue’s specific structural or credit features.

VMIG 1

This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 2

This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 3

This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

SG

This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Other Ratings Symbols

e Expected Ratings Indicator. To address market demand for timely information on particular types of credit ratings, Moody’s has licensed to certain third parties the right to generate “Expected Ratings.” Expected Ratings are designated by an “e” after the rating code, and are intended to anticipate Moody’s forthcoming rating assignments based on reliable information from third party sources (such as the issuer or underwriter associated with the particular securities) or established Moody’s rating practices. Expected Ratings will exist only until Moody’s assigns a rating to the instrument. For Medium-Term Notes (MTNs), Expected Ratings indicate that Moody’s is awaiting confirmation of details related to a specific drawdown or note from a principal in the transaction. Medium-Term notes are typically, but not always, assigned the same rating as the note’s program rating. Consistent with Moody’s rating practices, the specific rating assigned to an MTN drawdown will be the same as the program rating, unless the security has certain credit-linked or other differentiating characteristics. Please refer to Moody’s current rating definition for details. Market participants may contact Moody’s Ratings Desk or visit www.moodys.com if they have questions regarding Expected Ratings.

(P) Provisional Ratings. As a service to the market and typically at the request of an issuer, Moody’s will assign a provisional rating when it is highly likely that the rating will become final after all documents are received, or an obligation is issued into the market. A provisional rating is denoted by placing a (P) in front of the rating. Such ratings may also be assigned to shelf registrations under the SEC rule 415.

Refundeds. Issues that are secured by escrowed funds held in trust, reinvested in direct, non-callable US government obligations or non-callable obligations unconditionally guaranteed by the US Government or Resolution Funding Corporation are identified with a # (hatch mark) symbol, e.g., #Aaa.

WR Withdrawn. When Moody's no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

NR Not Rated. The symbol NR is assigned to unrated obligations, issuers and/or programs.

NAV Not Available. An issue that Moody's has not yet rated is denoted by the NAV symbol.

TWR Terminated Without Rating. The symbol TWR applies primarily to issues that mature or are redeemed without having been rated.

FITCH RATINGS, INC.

A brief description of the applicable Fitch Ratings, Inc. (“Fitch”) ratings symbols and meanings (as published by Fitch) follows.

Rated entities in a number of sectors, including financial and non-financial corporations, sovereigns and insurance companies, are generally assigned Issuer Default Ratings (IDRs). IDRs opine on an entity’s relative vulnerability to default on financial obligations. The “threshold” default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts, although the agency recognizes that issuers may also make pre-emptive and therefore voluntary use of such mechanisms.

In aggregate, IDRs provide an ordinal ranking of issuers based on the agency’s view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default. For historical information on the default experience of Fitch-rated issuers, please consult the transition and default performance studies available from the Fitch website.

Long-Term Credit Ratings Scales

AAA Highest credit quality. ‘AAA’ ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Very high credit quality. ‘AA’ ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. ‘A’ ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB Good credit quality. ‘BBB’ ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB Speculative. ‘BB’ ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

B Highly speculative. ‘B’ ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC Substantial credit risk. Default is a real possibility.

CC Very high levels of credit risk. Default of some kind appears probable.

C Exceptionally High Levels of Credit Risk. Default is imminent or inevitable, or the issuer is in standstill.

Conditions that are indicative of a ‘C’ category rating for an issuer include:

a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;

b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; or
c. Fitch otherwise believes a condition of 'RD' or 'D' to be imminent or inevitable, including through the formal announcement of a coercive debt exchange.

RD Restricted default. 'RD' ratings indicate an issuer that in Fitch's opinion has experienced an uncured payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased business. This would include:

a. the selective payment default on a specific class or currency of debt;
b. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;
c. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; or
d. execution of a coercive debt exchange on one or more material financial obligations.

D: Default. 'D' ratings indicate an issuer that in Fitch's opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a coercive debt exchange.

"Imminent" default typically refers to the occasion where a payment default has been intimated by the issuer, and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment, but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a coercive debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings, and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

Note: The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'.

Limitations for the Issuer Credit Rating Scale:

Specific limitations relevant to the issuer credit rating scale include:

- The ratings do not predict a specific percentage of default likelihood over any given time period.

- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.

- The ratings do not opine on the liquidity of the issuer’s securities or stock.
- The ratings do not opine on the possible loss severity on an obligation should an issuer default.

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- The ratings do not opine on the suitability of an issuer as counterparty to trade credit.
- The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default.

Ratings assigned by Fitch articulate an opinion on discrete and specific areas of risk. The above list is not exhaustive, and is provided for the reader's convenience.

Short-Term Ratings Assigned to Obligations in Corporate, Public and Structured Finance. A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

F3: Fair short-term credit quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative short-term credit quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High short-term default risk. Default is a real possibility.

RD: Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.

D: Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Limitations of the Short-Term Ratings Scale:

Specific limitations relevant to the Short-Term Ratings scale include:

- The ratings do not predict a specific percentage of default likelihood over any given time period.
- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.
- The ratings do not opine on the liquidity of the issuer's securities or stock.
- The ratings do not opine on the possible loss severity on an obligation should an obligation default.
- The ratings do not opine on any quality related to an issuer or transaction's profile other than the agency's opinion on the relative vulnerability to default of the rated issuer or obligation.

Ratings assigned by Fitch articulate an opinion on discrete and specific areas of risk. The above list is not exhaustive, and is provided for the reader's convenience.

Appendix B

Guggenheim Partners Asset Management, LLC

Proxy Voting Policies and Procedures

I. Introduction/Purpose

Guggenheim Partners Asset Management, LLC ("GPAM") has adopted these Proxy Voting Policies and Procedures ("Proxy Policies") to guide how GPAM votes proxies with respect to equity securities held in accounts of its clients. (Note, references herein to "client" shall refer to the various pooled investment vehicles as well as separate accounts for which GPAM acts as manager.)

II. Proxy Voting Responsibilities

The portfolio managers, in conjunction with the Director of Operations (or his designee), shall be responsible for evaluating and voting proxies in accordance with the guidelines hereunder. The portfolio manager, in consultation with the Director of Operations, shall be responsible for identifying any material conflicts of interest on the part of GPAM or its personnel that may affect particular proxy votes and resolving any material conflicts identified. The Director of Operations is responsible for administering, overseeing and recommending updates to these Proxy Policies as may be appropriate from time to time.

In addition, the Director of Operations (in consultation with senior management of GPAM, as may be necessary) shall be responsible for: assisting portfolio managers in analyzing and evaluating particular proposals presented for vote; facilitating when proxies should be voted other than in accordance with the general rules and criteria set forth below; implementing procedures reasonably designed to ensure that proxies are received and voted in a timely manner; and making and keeping all required records with respect to proxies voted by GPAM.

III. Proxy Guidelines

Generally, GPAM will vote proxies in accordance with the following guidelines. These are only guidelines, are not exhaustive and therefore do not cover all potential voting issues. They may be changed or supplemented from time to time. Voting decisions not covered by these guidelines will be made in accordance with other provisions of these Proxy Policies or as may be deemed reasonably appropriate by senior management of GPAM. In addition, because individual matters to be voted and the circumstances of issuers of the securities being voted vary, there may be instances when GPAM will not strictly adhere to these guidelines in making its voting decision. At any time, GPAM may seek voting instructions from its clients.

In reviewing proxy issues, GPAM will apply the following general policies:

A. Corporate Governance

GPAM will vote for proposals providing for equal access to the proxy materials so that shareholders can express their views on various proxy issues. We also support the appointment of a majority of independent directors on key committees and separating the positions of chairman and chief executive officer.

B. Elections of Directors

Unless there is a proxy fight for seats on the Board or we determine that there are other compelling reasons for withholding votes for directors, we will vote in favor of the management-proposed slate of directors. That being said, we may withhold votes for directors who fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a shareholder vote or failure to act on tender offers where a majority of shareholders have tendered their shares.

C. Appointment of Auditors

GPAM will generally support management's recommendation.

D. Changes in Legal and Capital Structure

Absent a compelling reason to the contrary, GPAM will cast its votes in accordance with the company's management on such proposals.

E. Corporate Restructurings, Mergers and Acquisitions

GPAM will analyze such proposals on a case-by-case basis, weighing heavily the views of the research analysts who cover the company and the investment professionals managing the portfolios in which the stock is held.

F. Proposals Affecting Shareholder Rights

GPAM will generally vote in favor of proposals that give shareholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals we will weigh the financial impact of the proposal against the impairment of shareholder rights.

G. Anti-Takeover Measures

GPAM will generally oppose proposals, regardless of whether they are advanced by management or shareholders, the purpose or effect of which is to entrench management or dilute shareholder ownership. We will evaluate, on a case-by-case basis, proposals to completely redeem or eliminate such plans. Furthermore, we will generally oppose proposals put forward by management (including blank check preferred stock, classified boards and supermajority vote requirements) that appear to be intended as management entrenchment mechanisms.

H. Executive Compensation

GPAM will review proposals relating to executive compensation plans on a case-by-case basis to ensure that the long-term interests of management and shareholders are properly aligned. We will generally oppose plans that permit repricing of underwater stock options without shareholder approval.

I. Social and Corporate Responsibility

GPAM will review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on shareholder value. We will vote against proposals that are unduly burdensome or result in unnecessary and excessive costs to the company. We may abstain from voting on social proposals that do not have a readily determinable financial impact on shareholder value.

J. Matters Not Covered

The Portfolio Manager and Director of Operations shall consider specific proxy voting matters as necessary. The Director of Operations and CCO may also evaluate proxies where we face a potential conflict of interest (as discussed below). Finally, the CCO monitors adherence to these policies.

IV. Conflicts of Interest

GPAM recognizes that there may be a potential conflict of interest when we vote a proxy. To that end, we have implemented additional procedures to ensure that our votes are not the product of a material conflict of interests, including: (i) on an annual basis, the Portfolio Manager, Director of Operations and CCO will take reasonable steps to evaluate the nature of GPAM's and our employees' material business and personal relationships (and those of our affiliates) with any company whose equity securities are held in client accounts and any client that has sponsored or has material interest in a proposal upon which we will be eligible to vote; (ii) requiring anyone involved in the decision making process to disclose to the CCO any potential conflict that they are aware of (including personal relationships); (iii) prohibiting employees involved in the decision making process or vote administration from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties; and (iv) where a material conflict of interest exists, reviewing our proposed vote by applying a series of objective tests and, where necessary, considering the views of a third party research service to ensure that our voting decision is consistent with our clients' best interests.

Because under certain circumstances GPAM considers the recommendation of third party research services, the Director of Operations will take reasonable steps to verify that any third party research service is in fact independent, based on all of the relevant facts and circumstances. This includes among other things, analyzing whether the third party research service: (i) has the capacity and competency to adequately analyze proxy issues; and (ii) can make such recommendations in an impartial manner and in the best interests of our clients.

V. When GPAM May Not Vote Proxies

GPAM may not vote proxies in certain circumstances, including situations where: (a) the securities being voted are no longer held by the client; (b) the proxy and other relevant materials are not received in sufficient time to allow adequate analysis or an informed vote by the voting deadline; or (c) GPAM concludes that the cost of voting the proxy is likely to exceed the expected benefit to the client.

VI. Proxies of Certain Non-U.S. Issuers

Voting proxies of issuers in non-U.S. markets may give rise to a number of administrative issues that may prevent GPAM from voting such proxies. For example, GPAM may receive meeting notices without enough time to fully consider the proxy or after the cut-off date for voting. Other markets require GPAM to provide local agents with power of attorney prior to implementing GPAM's voting instructions. Although it is GPAM's policy to seek to vote all proxies for securities held in client accounts for which we have proxy voting authority, in the case of non-U.S. issuers, we vote proxies on a best efforts basis.

VII. Proxy Voting Records

Clients may obtain information about how GPAM voted proxies on their behalf by contacting their GPAM administrative representative. Alternatively, clients may make a written request for proxy voting information to: Mike Sterling, Director of Operations, Guggenheim Partners Asset Management, LLC, 227 West Monroe Street, 48th Floor, Chicago, IL 60606.

VIII. Maintenance of Proxy Voting Records

As required by Rule 204-2 under the Investment Advisers Act of 1940, GPAM will maintain the following records relating to proxy voting for a period of at least six years:

(i) A copy of these Proxy Policies, as they may be amended from time to time;
(ii) Copies of proxy statements received regarding client securities, unless these materials are available electronically through the SEC's EDGAR system;
(iii) A record of each proxy vote cast on behalf of its clients;
(iv) A copy of internal documents created by GPAM that were material to making the decision how to vote proxies on behalf of its clients; and
(v) Each written client request for information on how GPAM voted proxies on behalf of the client and all written responses by GPAM to oral or written client requests for such proxy voting information.

IX. Disclosure

GPAM will provide clients a summary of these Policies, either directly or by delivering to each client of a copy of its Form ADV, Part II that contains a summary, and also will provide clients information on how a client may obtain a copy of the full text of these Proxy Policies and a record of how GPAM has voted the client's proxies. A copy of these materials will be provided promptly to clients on request.

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