

**Item 1 – Cover Page**

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March 31, 2014

This Brochure provides information about the qualifications and business practices of Guggenheim Partners Investment Management, LLC (“GPIM”) or (“Guggenheim”). If you have any questions about the contents of this Brochure, please contact us at [GPIMCompliance@guggenheimpartners.com](mailto:GPIMCompliance@guggenheimpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

GPIM is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about GPIM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure is the annual update to the GPIM Form ADV. GPIM's last ADV is dated as of November 26, 2013. Material updates to GPIM's ADV since the last annual update on March 31, 2013 include:

- **June 4, 2013:** GPIM announced the appointment of a new Chief Compliance Officer.
- **August 20, 2013:** The ADV was updated to reflect a new ownership structure.
- **August 28, 2013:** The ADV was updated to reflect a new President of GPIM.
- **November 26, 2013:** GPIM announced the appointment of a new Chief Compliance Officer.

### Item 3 – Table of Contents

	<u>Page</u>
Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information .....	13
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	15
Item 12 – Brokerage Practices .....	18
Item 13 – Review of Accounts .....	19
Item 14 – Client Referrals and Other Compensation.....	20
Item 15 – Custody .....	20
Item 16 – Investment Discretion .....	21
Item 17 – Voting Client Securities .....	21
Item 18 – Financial Information .....	22

#### **Item 4 – Advisory Business**

GPIM is a Delaware limited liability company formed on September 29, 2005. Guggenheim Capital, LLC is the sole owner of GPIM through a series of holding companies, including Guggenheim Manager, Inc.; Guggenheim Partners, LLC (“Guggenheim Partners”); GI Holdco II, LLC; GI Holdco, LLC; GMI GPIMH, LLC; GMI GPIM, LLC; and Guggenheim Partners Investment Management Holdings, LLC. Sage Assets, Inc. holds a minority ownership interest in Guggenheim Capital, LLC. Sammons Equity Alliance, Inc. holds all of the ownership interests in Sage Assets, Inc. Consolidated Investment Services, Inc. owns Sammons Equity Alliance, Inc. Sammons Enterprises, Inc. owns Consolidated Investment Services, Inc. Sammons Enterprises, Inc. ESOT owns Sammons Enterprises, Inc. GreatBanc Trust Company is the Trustee for Sammons Enterprises, Inc. ESOT.

As of December 31, 2013 and based on Regulatory Assets Under Management (“RAUM”), GPIM managed approximately \$124,146,000,000 on a discretionary basis and \$195,000,000 on a non-discretionary basis. GPIM’s total discretionary and non-discretionary RAUM were approximately \$124,341,000,000.

GPIM provides investment advisory and supervisory services, primarily focused on implementing fixed income and equity asset management strategies, to a variety of institutional clients through separate accounts and registered and unregistered pooled investment vehicles.

For separate account relationships, a client selects a custodian for the account and is charged a quarterly fee for management of assets and, in certain cases, a performance or incentive fee or allocation on profits or gains generally subject to a benchmark or threshold agreed upon by the client and GPIM. For separate accounts, a client’s initial investment objectives are determined in consultation with the client. Investment guidelines and these objectives are memorialized by GPIM and the client prior to implementation of a strategy. A client may impose certain restrictions on GPIM’s authority to invest in certain securities and types of securities, or to use leverage, for example. The investment guidelines are documented in each client’s investment management agreement (“IMA”) and may be updated with the client’s consent for reasons including a change in the client’s situation or needs or a change in relevant market conditions. GPIM reviews these objectives, guidelines, and restrictions in the normal course of business, but no less frequently than annually.

GPIM also provides advisory services to pooled investment vehicles (“Funds”), some of which are registered investment companies (“Registered Funds”) under the Investment Company Act of 1940, as amended (“1940 Act”). Registered Funds are charged a management fee based on the Fund’s net asset value (“NAV”). In addition to a management fee, unregistered Funds (“Private Funds”) may also be charged an incentive or performance fee (or allocation) based on profits earned by the Private Fund or gains generally subject to a benchmark or threshold. For Registered and Private Funds, a vehicle’s investment objective, strategies, and any applicable investment restrictions are generally described in the vehicle’s offering documents and may be changed in accordance with the vehicle’s offering and organizational documents and as permitted by law.

GPIM may on occasion prepare written commentary on general market conditions. The commentary is prepared to educate and inform current and prospective clients, consultants, and other business contacts

about market conditions or trends that GPIM may consider of interest. GPIM does not charge a fee for providing this written commentary.

In addition, GPIM may provide recommendations on investment opportunities and investment advice to certain clients. The client receiving these recommendations ultimately decides how and if it will use such recommendations. GPIM may charge a separate fee for such services.

GPIM does not participate in any wrap fee program. The description of GPIM's investment advisory clients above is not exhaustive; consequently, GPIM may provide advisory services to other types of clients.

## **Item 5 – Fees and Compensation**

For separate account clients, GPIM is paid a monthly or quarterly management fee, generally in arrears, and usually based on the NAV of all assets held in a client's account. The management fee is equal to a mutually agreed upon annual fee prorated and multiplied by the separate account's NAV as of each calendar month-end or quarter-end, reduced for periods of less than a complete month and prior to any reduction for such management fee. The management fee is calculated and accrued monthly and is generally payable quarterly in arrears, subject to any different payment terms in a client's IMA. Fees may be negotiated in different amounts with each client based upon the type of service provided, size of the account, and relationship between the client and GPIM.

The standard management fee for investment advisory services provided to GPIM's separate account portfolios generally ranges from 0.25 percent to 1.00 percent (annually) of assets under management. GPIM offers several different products with varying fees that could be higher than those depicted, and, as described above, separate account fees are generally negotiable.

Private Funds pay a management fee either monthly or quarterly, in advance or in arrears, depending on the Fund's offering documents, and may also pay an incentive or performance fee or allocation based on profits earned by the Private Fund or gains generally subject to a benchmark or threshold. Private Fund fees are described in a Private Fund's offering documents.

For Registered Funds, management fees earned by GPIM are based on the NAV at end of the applicable period (generally, a month or quarter) and are paid in arrears. Registered Fund fees are described in the fund's offering documents.

Management fees, described in the relevant IMA or a Fund's offering documents, generally accrue beginning on the effective date on which GPIM commenced trading in the relevant account. In general, the separate account client or Fund advised by GPIM pays the management fee to GPIM within 30 calendar days from the receipt of an invoice and 30 calendar days from the expiration of the term if such date is not the end of the calendar quarter. However, in some circumstances, fees may be payable monthly or payable in advance. Should a separate account client or Fund terminate an advisory arrangement, fees will be charged until the mutually agreed upon termination date. Advisory arrangements may generally be terminated by providing written notice to GPIM. If fees have been paid in advance, in the event of a withdrawal, the client would receive a *pro rata* rebate of the allocable portion of the fee not earned by GPIM during the period. With

respect to Registered Funds or Private Funds, please see the fund's offering materials for details on refunds of unearned fees and termination provisions.

For certain separate account clients and Private Funds, GPIM may charge a performance or incentive fee or allocation constituting a percentage of profits or gains generally subject to a benchmark, such as an equity index, or a threshold, such as a fixed percentage rate. Such fee or allocation is generally subject to a "high water mark" or "hurdle", under which the agreed-upon portion of profits or gains for a period will only be paid if any previous losses in prior periods have been recouped. Performance-based compensation arrangements will be structured in accordance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act").

Expenses charged to and borne by separate accounts and Funds generally include management fees and all costs and expenses related to the assets allocated to the relevant account, including brokerage commissions and other trading execution and settlement related costs and fees; custody fees; interest incurred on borrowings, if any; and dividends paid on securities sold short. Please see Item 11 for a discussion of GPIM's brokerage practices.

Pursuant to specific client authorization through an IMA, a Fund governing document, and/or on a case-by-case basis, GPIM may execute transactions for a separate account or Fund with or through itself or any of its affiliates. In such instances, as permitted under applicable law and pursuant to the client's authorization, GPIM and its affiliates may retain commissions, remuneration, or profits made in such transactions, in addition to management and any performance fees.

In certain circumstances, GPIM may waive all or part of any fees with respect to certain affiliated or related party transactions for some, but not all, of its clients pursuant to an agreement or other arrangement with each such client.

GPIM may make investments for client accounts or Funds (i) where GPIM or certain affiliates acts as the collateral agent, administrator, originator, manager, or other service provider, or (ii) that are backed by collateral (including funds) that could include assets where GPIM or its affiliates may perform such functions for which GPIM or its affiliates receives fees. As permitted under applicable law and in client agreements or Fund offering documents, GPIM and its affiliates may retain any commissions, remuneration, or profits made in such transactions and, except as required, such monies shall not reduce its management fees.

GPIM may also acquire for its client accounts or Funds it manages, debt instruments or loans backed by or secured by investments or loan interests in investment funds or pools managed by GPIM or its affiliates or third parties. This collateral may include or be backed by assets managed by or obligations or investments in funds managed by GPIM or its affiliates, or invested in transactions in which GPIM or its affiliates have some financial interest.

To the extent permitted by an IMA, GPIM may in certain circumstances invest client assets in mutual funds, closed-end funds, private investment funds, and/or exchange-traded funds, some of which may be advised or sub-advised by GPIM or a GPIM affiliate. If a separate account or Fund holds an interest in any such fund, the separate account client or Fund investors may be subject to two fees for the management of these assets, one to GPIM and one to the adviser of the vehicle, which may be GPIM or a GPIM affiliate. In other circumstances, GPIM may make investments for clients in limited partnerships or similar vehicles to gain exposure to real asset classes such as aircraft, asset backed securities, commercial mortgage backed securities,

and other fixed income structures. Certain of these vehicles are managed by GPIM or affiliates of GPIM that will be compensated for such management services. GPIM and its affiliates may also receive annual management or administrative fees for asset or collateral management services provided to certain investment products (the “Structured Vehicles”) in which client assets may be invested. These fees may be based on either the market value or par value of the underlying collateral, depending upon the structure of the relevant Structured Vehicle. GPIM and its affiliates Guggenheim Commercial Real Estate Finance, LLC (and its affiliates, collectively “GCREF”), Guggenheim Aviation Partners, Limited (“GAP”), and Guggenheim Corporate Funding, LLC (“GCF”) may originate transactions, including, but not limited to, loans, commercial real estate loans or other types of real estate loans on behalf of GPIM clients. GAP, GCF, and GCREF will generally earn and retain an origination and/or structuring fee and/or servicing fee in connection with such transactions.

GPIM is an indirect affiliate of Guggenheim Partners, LLC (“Guggenheim Partners”), which is a global, full-service financial services firm. Guggenheim Partners and its affiliates, including GPIM (collectively, “Guggenheim Entities”), provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other similar services (collectively, “Other Business Activities”).

These Other Business Activities create a variety of actual and potential conflicts of interest. First, some of the Other Business Activities may create conflicts between the best interests of the GPIM client or Funds, on the one hand, and the best interests of the Guggenheim Entities’ other clients, on the other. For example, a Guggenheim Entity may act as adviser to clients in investment banking, financial advisory, asset management, and other capacities related to instruments that may be purchased, sold, or held by GPIM clients or Funds, and a Guggenheim Entity may issue, or be engaged as underwriter for the issuer of, instruments that GPIM clients or Funds may purchase, sell, or hold. At times, these activities may cause a Guggenheim Entity to give advice to clients that may cause these clients to take actions adverse to the interests of GPIM clients or Funds. The Guggenheim Entities and their respective officers, directors, managing directors, partners, employees, and consultants (collectively, “Personnel”) may act in a proprietary capacity with long or short positions, in instruments of all types, including those that may be purchased, sold or held by the Guggenheim clients or Funds. Such activities could affect the prices and availability of the securities and instruments that the GPIM seeks to buy or sell for GPIM clients or Funds, which could adversely impact the financial returns of GPIM clients or Funds.

Except as otherwise stated herein, neither GPIM nor any of its supervised persons acting on behalf of GPIM accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

As noted above, GPIM’s fees are often based on the value and performance of the assets held in the client account. When pricing a security, GPIM attempts, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets. For separately managed accounts, unless otherwise agreed to with a client, GPIM generally relies on prices provided by a broker-dealer or third-party pricing service for valuation purposes. However, when quotations from these sources are not readily available or are believed by GPIM to be unreliable, the security or other assets may be valued by GPIM or an affiliate in accordance with applicable procedures. To the extent GPIM’s fees are based on the value or performance of client accounts, GPIM would benefit by receiving a fee based on the impact, if any, of an increased value of assets in an account. Pricing on Funds is generally determined by the Fund’s administrator or by GPIM.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As discussed in more detail in response to Item 5, GPIM may charge certain separate account clients and Private Funds a performance or incentive fee or allocation constituting a percentage of profits or gains generally subject to a benchmark or threshold (sometimes with a hurdle). In measuring clients' assets for the calculation of performance-based compensation, GPIM generally includes realized and unrealized capital gains and losses for purposes of such calculations.

Performance-based compensation arrangements may create an incentive for GPIM to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement. Such performance-based compensation arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

Side-by-side management raises the possibility of favorable or preferential treatment of a client or group of clients. Portfolio managers employed by GPIM or its affiliates (collectively, "Guggenheim Entities") may manage multiple accounts, including separate accounts, Private Funds, and Registered Funds, according to the same or similar investment strategies. As noted, performance-based compensation arrangements may create an incentive to favor higher fee paying accounts. In addition, GPIM affiliates or employees may have a significant proprietary investment in a Fund or account; accordingly, GPIM may have an incentive to favor such a Fund or account.

GPIM's policies and procedures stress that investment decisions are to be made without consideration of GPIM's or its employees' or affiliates' pecuniary or investment interests. In general, investment decisions for client accounts advised by Guggenheim Entities will be made independently from those of other client accounts and are made with specific reference to the individual needs and objectives of each client account. Accordingly, account investments and performance resulting from such decisions may differ from client to client. If conflicts arise in the allocation of investment opportunities, Guggenheim will seek to resolve such conflicts fairly. But, as described in more detail below, there can be no assurance that a particular investment opportunity will be allocated in any particular manner.

Guggenheim seeks to make allocation decisions in accordance with the investment objectives, guidelines, and restrictions governing the respective client accounts and in a manner that will not unfairly favor one client over another. Guggenheim believes this policy helps to mitigate the inherent conflict of performance-based compensation, side-by-side management, and limited investment opportunities. Guggenheim does not make investment allocation decisions based on account performance, ownership, or fee structure. Accordingly, Guggenheim seeks to ensure that investment opportunities are allocated equitably among different client accounts over time. Guggenheim also seeks to ensure that client transactions are executed efficiently with due regard to the specific goals and objectives of each client account and Guggenheim's investment philosophy. In this regard, Guggenheim will consider the following factors, among others, in effecting client transactions and making allocation decisions: client investment guidelines, account size, available cash, liquidity requirements, an account's investment phase (i.e., ramping up or taking gains/losses for tax purposes), and an account's specific objectives and constraints, including risk tolerance, rating constraints, maturity constraints, issue size, yield, purchase price, existing fund exposure, minimum trade allocation, minimum position holding size, sector allocation limits, duration, convexity, strategy, and lot size.



Guggenheim may have clients with similar investment strategies. As a result, if an investment opportunity would be appropriate for more than one client, Guggenheim will generally seek to allocate such opportunity among its clients for whom such opportunity is appropriate pro rata, which may result in an allocation to one or more clients in a lesser amount than if Guggenheim did not allocate such opportunity among more than one client. In addition, Guggenheim may determine that an investment opportunity is appropriate for a particular account, but not for another.

In situations where the amount of securities to be purchased is too limited for all eligible accounts to share (even on an allocated basis), such transactions will be allocated in accordance with Guggenheim's good faith determination to make a fair and equitable allocation, which may include a rotation list and or other allocation tools. When an account does not participate in a particular allocation, the reason for exclusion from the allocation will be documented.

In certain situations, Guggenheim or an affiliate may be presented an investment opportunity that would be appropriate for one or more of Guggenheim's clients (based on the criteria described above). However, in such situations it may be necessary or appropriate for Guggenheim to obtain prior written consent from a client to place the investment in the client(s)'s account (e.g., where an affiliate of Guggenheim will receive a commission, mark-up, or a fee for placing or structuring the transaction). If Guggenheim is unable to obtain prior written client consent, or it would be unreasonable or impractical to attempt to obtain prior written client consent in the time period in which Guggenheim or its affiliate is required to execute the trade (e.g. client is a Registered Fund or subject to ERISA), Guggenheim may allocate the investment opportunity only to the client(s) for whom Guggenheim is reasonably able to obtain prior written client consent or for whom Guggenheim determines it is feasible to receive approval prior to settlement.

For transactions that require prior approval, Guggenheim shall allocate such investments to the clients for whom consent has been sought. If approval is not received before the settlement date (generally T+3), the investments will be reallocated to those clients that provide approval by settlement date, as permitted by their investment guidelines, available cash, and other factors provided herein.

In addition, GPIM employs a quantitative strategy in some client accounts. Allocations arrived at pursuant to a quantitative strategy will only be allocated to accounts with a quantitative component. Notwithstanding the disclosures above, during an account's ramp-up period, such account may receive larger trade allocations than an established account would potentially receive.

## **Item 7 – Types of Clients**

GPIM provides investment advisory services to separate account clients, Private Funds and Registered Funds. GPIM's separate account clients and investors in the Funds include corporate pension and profit-sharing plans, trusts, estates, charitable organizations, municipalities, corporations and business entities (including affiliated and unaffiliated insurance companies), and other registered and unregistered pooled investment vehicles. GPIM also acts as adviser to open-end registered funds, closed-end registered funds, and as sub-adviser to investment companies and to exchange-traded funds. GPIM serves as investment manager to foreign domiciled funds including collective investment trusts ("UCITS") and qualified investor funds ("QIFs"). GPIM may also serve as asset or collateral manager for certain non-registered structured products.

For its separate account clients, GPIM generally requires a minimum account size of \$100 million for its fixed income strategies and \$25 million for equity strategies, subject to reduction in GPIM's discretion. GPIM's Registered Fund clients and Private Fund clients have separate suitability and other requirements, and minimum investment amounts, as set forth in the applicable Fund's offering and subscription documentation.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear.

GPIM tailors the investment strategies used on behalf of a client to meet a specific client's investment objectives. Each account is managed with the goal of achieving the investment objective of the client, as agreed upon by GPIM and the client in the relevant IMA, in the case of a separate account client, or the Fund's offering documents, in the case of a Fund. In constructing a client's portfolio, GPIM will typically take into consideration the composition of the relevant benchmark index(es), as well as the compositions of portfolios within a relevant peer group. Client investment guidelines may be amended, by agreement of the client and GPIM, based upon changing market conditions or needs of the client.

GPIM uses charting, fundamental analysis, and technical analysis to formulate client investment opportunities. In addition, GPIM may rely on research, economic theory, quantitative methods, and capital markets data provided by certain affiliates, including but not limited to, Asset Consulting Group, LLC, Transparent Value Advisors, LLC ("TVA"), and Guggenheim Real Estate LLC. GPIM's use of these services provided by its affiliated entities may be regarded as a conflict of interest, as GPIM may be viewed as having an incentive to use its affiliates' services. In this regard, it should be noted that a small portion of all of such services used by GPIM is provided by GPIM's affiliates, and GPIM relies upon a wide range of sources for such services.

For example, GPIM uses the services of third-party market service data providers, including without limitation Bloomberg, Reuters, Mobius, and rating agencies. GPIM also has relationships with outside consultants who provide quantitative strategy recommendations which GPIM implements in some of its client accounts.

GPIM manages client assets using a variety of disciplines within fixed income and equity strategies, including but not limited to:

- *Aircraft Strategy Fund:* The investment objective of this strategy is to achieve attractive risk-adjusted total returns by (i) primarily, making direct and indirect investments in certain loans secured primarily by new and used business aircraft; and (ii) secondarily, acquiring, holding, leasing, managing and disposing of new and used business aircraft directly or indirectly through special purpose vehicles formed for such purpose.

The prices of assets and other investments in this strategy may be volatile. Market movements are difficult to predict and are influenced by, among other things: government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in

certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly. Substantially all of the Fund's portfolio will be comprised of assets in, or related to, the business aircraft industry. Economic downturns, war, the price of fuel, the availability of more attractively priced and/or more efficient business aircraft, price discounting by manufacturers and geopolitical terrorism concerns, among other factors, can have a profound effect on the market value of business aircraft assets.

- *Customized/Core Fixed Income Strategies:* These strategies are generally designed to meet client-specific risk/reward objectives by investing in fixed income securities, including but not limited to corporate bonds and a variety of asset-backed, municipal, residential mortgage-backed and/or commercial mortgage-backed securities, across a broad range of sectors. In general, fixed income securities are subject to interest rate, market and credit risks. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Market risk relates to changes in the risks or perceived risks of an issuer, country or region. Credit risk relates to the ability of an issuer to make payments of principal and interest.

In addition, investments in corporate bonds are subject to risks related to an issuer's financial condition, ability to meet its obligations, and willingness or ability to make principal payments or declare distributions. The value of corporate bonds may be subject to steep declines or increased volatility due to increases in interest rates and inflation. Investments in asset-backed securities bear the risks of exhaustion of credit support or enhancement and a shift in the market perception of credit worthiness. Asset-backed securities may also be backed by non-real-estate loans such as auto, credit card, or home equity loans which present risks related to the underlying collateral and the laws governing the underlying collateral. In addition to the risks shared with asset-backed securities, residential mortgage-backed securities present risks due to the unique economic conditions surrounding them, including increased interest rates and lower home prices, as well as aggressive lending practices. Residential mortgage loans have in recent periods experienced, and may again in future periods experience, increased rates of delinquency, foreclosure, bankruptcy and loss. In addition to the risks shared with asset-backed securities, commercial mortgage-backed securities bear significantly greater price and yield volatility than traditional fixed-income securities. During periods of declining interest rates, prepayments can be expected to accelerate, and such prepayments will shorten these securities' weighted average life and may lower their return. Conversely, in a rising interest rate environment, a declining prepayment rate will extend the weighted average life of these securities which generally would cause their values to fluctuate more widely in response to changes in interest rates. Finally, some of our strategies incorporate the use of leverage, through borrowings or instruments such as derivatives. The use of leverage may cause the strategy to be more volatile and riskier than if it had not been leveraged.

- *Covered Call Equity Strategy/Enhanced Equity Income:* The Guggenheim Enhanced Equity Income ("EEI") strategies seek to deliver superior equity performance through some combination of improved returns with reduced risk. Guggenheim EEI portfolios focus on income generation through rules-based strategies that incorporate derivative overlays to an underlying equity allocation. The aim of the strategy is a scalable, repeatable, and consistent approach. Liquidity is a key driver

throughout the portfolio construction. Guggenheim EEI portfolios directly target the source of Alpha in the strategy return: the volatility component, and manage volatility as a separate and distinct asset class. The alpha source for the EEI strategy is the implied premium that investors often pay for implied volatility with the consistent targeting and capture of this premium the core aim of the Guggenheim EEI approach. The strategies generally target the sale of at-or-out-of the money options. Guggenheim manages both levered and unlevered versions of the strategy with both U.S. Domestic and International Equity benchmark.

- *Opportunistic Investment Grade Securities Strategy:* This strategy seeks to maximize total return by investing in a variety of fixed income sectors and assets, primarily investment-grade assets with what are believed to be low valuations and high absolute return potential. This strategy is generally subject to the risks described above under “Customized/Core Fixed Income Strategies.” Some of the investments under this strategy may be particularly sensitive to economic, market, industry and other variable conditions. Some of the markets invested in under this strategy have historically experienced and may in the future experience significant volatility and potential credit losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses under this strategy.
- *High Yield Strategy:* The high yield strategy seeks a high level of current income, with growth of capital as a secondary consideration, through investments primarily in high yield debt securities, preferred stocks, and convertible securities. High yield securities can be broadly classified into two categories: (a) securities issued with a below investment grade rating and (b) securities whose credit ratings have been downgraded below investment grade because of deteriorating investment fundamentals. The first category includes securities issued by companies that generally do not have the operating histories needed to secure investment grade ratings from the rating agencies, but that have attractive growth prospects and the potential to achieve an investment grade rating in the future. This category also includes companies that have converted from public to private ownership through leveraged buyout transactions or that have restructured their balance sheets through leveraged recapitalizations. The second category of high yield securities consists of securities of former investment grade companies that have experienced poor operating performance due to a variety of factors.

High yield debt securities are generally subject to the risks described above under “Customized/Core Fixed Income Strategies.” In addition, the economy and interest rates tend to affect high yield securities differently from other securities. The prices of high yield bonds have been found to be less sensitive to interest rate changes than higher-rated investments, but more sensitive to adverse economic changes or individual corporate developments. During an economic downturn or substantial period of rising interest rates, highly leveraged issuers may experience financial stress. Also, changes in the creditworthiness of lower-rated issuers and the market perceptions of the issuers’ creditworthiness tend to occur more frequently and in a more marked manner as compared to higher-rated issuers. The lower ratings of the high yield securities reflect a greater possibility that the financial condition of the issuers and/or adverse changes in general economic conditions may impair the ability of the issuers, individually or in general, to make payments of principal and interest.

- *Beta Plus Strategy:* The investment objective of this strategy is to offer a low correlated source of return (alpha) while maintaining the client’s desired systematic (beta) exposures across single or

multiple asset classes. The beta is achieved by using swaps and/or contractual derivatives to replicate the returns of a benchmark or an index or a mix of multiple benchmarks and indices. Because the beta exposure is notional, there is excess capital available to invest in a pool of fixed income and other securities are expected to which have little and in some cases no relation to the selected beta exposures. The returns on these low-correlated investments are known as alpha. Alpha returns are added (ported) to the returns earned on beta replication, thus creating total return on a portfolio of assets. The beta portion of this strategy is subject to a variety of risks associated with swaps and/or contractual derivatives, such as counterparty credit risk (the risk that the counterparty will be unable to meet its contractual obligations), mark-to-market risk, and risks of termination (a swap or other derivative contract may terminate earlier than is expected, subjecting the applicable client to early termination fees and possibly leaving the client without a beta source for a period of time). The alpha component of this strategy is generally subject to the risks described above under “Customized/Core Fixed Income Strategies.” In addition, because investors participating in this strategy have the ability to redeem their investments before the duration period applicable to the beta plus strategy is over, this strategy runs the risk of substantial redemptions where the effect of multiple investors redeeming their investments could cause the underlying investment to liquidate. GPIM may also make investments related to corporate aircraft leasing and financing through special purpose vehicles for its clients. Economic recessions, war, the price of petroleum, the availability of more attractively priced and/or more efficient business aircraft, price discounting by manufacturers of new business aircraft, technical and regulatory obsolescence, and geopolitical and terrorism concerns, among other factors, can have a profound effect on the market value of corporate aircraft assets, especially in the short term. Most of these circumstances cannot be predicted, and the occurrence of one or more of these circumstances may adversely affect the value of the investments.

- *Bank Loans:* Bank loans (sometimes called senior loans) hold senior positions in the capital structure of a business entity, are secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the borrower.

Bank loans generally are not: (1) rated by a ratings organization at the time of investment; (2) registered with the Securities and Exchange Commission or (3) listed on a securities exchange. In some cases, an active trading market may not exist for some bank loans, and they are generally considered less liquid than other asset classes. In most cases, investments in bank loans are designed to give bank loan investors preferential treatment over high yield bond investors if the issuer’s credit quality declines. Even when these arrangements exist, however, the principal and interest owed on the bank loan may not be repaid in full. Borrowers may default on their obligations to pay principal or interest when due. If a borrower is to file for bankruptcy, the portfolio may experience delays or limitations in its ability to realize the benefits of any collateral securing a bank loan. A portfolio also may purchase a participation interest in a bank loan and by doing so acquires some or all of the interest of a bank in a loan to a borrower.

- *Cash Management:* This strategy is intended to address an organization’s operating, capital, and debt pay-down and cash flow needs. Cash management strategies are based upon the possibility that a client may need to access their funds on short notice. Typically client portfolios will be invested in fixed income securities that have average maturities ranging from 30 days to 3 years, depending upon

whether or not their cash needs are predictable and their investment time horizon. Investments are made in high-grade fixed income securities (for example, A1/P1 rated securities) in order to earn a competitive rate of interest and to preserve principal value. The principal risks presented by an investment in this strategy are a credit risk of the investment grade bonds failing to make payments when due, foreign investing risk, U.S. Government securities risk, interest rate risk, liquidity risk, and management risk. More information regarding these risks are described above under “Customized/Core Fixed Income Strategies.”

- *Unit Investment Trusts:* For unit investment trusts, GPIM works with its affiliate Guggenheim Funds Distributors (“GFD”) to select the securities to be included in a trust’s portfolios that implement a variety of fixed income and equity strategies. The fixed income investments made by these trusts are subject to the risks described above under “Customized/Core Fixed Income Strategies.” With respect to the investments in equity securities made by the trusts, the value of such equity securities is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market’s perception of such securities. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other investments.
- *Multi-Asset Class Strategies:* These strategies seek to maximize total return through a combination of current income and capital appreciation by investing in a wide range of fixed-income, hybrids, equity securities and derivatives selected from a variety of sectors and credit qualities. These strategies are subject to the risks described above under “Customized/Core Fixed Income Strategies.” These strategies are subject to additional risks, such as equity securities risk and derivatives risk. Equity securities include common stocks and other equity securities (and securities convertible into stocks), and the prices of equity securities fluctuate in value more than other investments. They reflect changes in the issuing company’s financial condition and changes in the overall market. Common stocks generally represent the riskiest investment in a company. The strategies may lose a substantial part, or even all, of their investment in a company’s stock. Growth stocks may be more volatile than value stocks. Derivatives may pose risks in addition to and greater than those associated with investing directly in securities or other investments, including risks relating to leverage, imperfect correlations with underlying investments or the strategies’ other portfolio holdings, high price volatility, lack of availability, counterparty credit, liquidity, valuation and legal restrictions. Their use is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Investment Manager is incorrect about its expectations of market conditions, the use of derivatives could also result in a loss, which in some cases may be unlimited.
- *Capital Stewardship Funds:* These Funds are designed to deliver superior risk-adjusted performance compared to the S&P 500 Index. Our research process is designed to identify companies that utilize a Multi-Stakeholder Management System (“MsMS”) which balances the inherent conflict between five primary stakeholders (customers, employees, investors, communities, and suppliers). This research process has determined that companies which have loyal customers and satisfied employees have a higher probability of performing as good, or better than, the overall equity market. The key drivers to the strategy are the security selection process identifying the 300 to 400 companies that best represent the MsMS and the portfolio construction process balancing portfolio risk characteristics with individual security performance expectations. This strategy is subject to U.S.

equity market risk, including changes in macro-economic business environment, Federal bank policies and the market's perception of risk.

- *Global Alpha Equity Strategy:* Under this strategy, GPIM constructs a risk-controlled portfolio of investments in developed equity markets using a systematic factor model approach across all countries in the developed markets. The portfolios are customizable by region, concentration and client-selected restrictions. In addition to the risks described above under “Unit Investment Trusts,” risks related to issuer, industry, market and general economic conditions all affect this strategy. There is no assurance that this strategy will achieve its investment objective, as returns will fluctuate in response to changes in the market and on income on the portfolio's investments. While GPIM seeks to ensure that every holding is liquid and easily traded, there is no assurance that this will remain true in all market conditions.
- *Alpha Solutions Strategy:* The primary investment objective of the Alpha Solutions Strategy is to seek to provide an attractive risk-adjusted total return by taking long and short positions in fixed income, equity and derivative positions. The Investment Manager considers both absolute and relative return measures. As a secondary investment objective, the Fund strives to generate cash flow comprised of interest and dividend payments, current income from swaps and options contracts and other fee income. This strategy is subject to the risks relative to fixed income, equity, and derivatives, as described above relative to other strategies investing in these asset classes. Generally, the fund is net long and looks to achieve positive absolute returns with reduced volatility in various market environments.
- *Minimum Volatility Equity Strategies:* These strategies employ a rigorous and disciplined methodology that is designed to generate higher risk-adjusted returns primarily by minimizing volatility below that of the capitalization weighted benchmark. GPIM manages different variations of the minimum volatility approach, including portfolios targeted to global, regional (including emerging markets) and country-specific markets, as well as “tilting” the portfolios to achieve specific desired results (to produce, for example, a higher dividend yield or to be more sensitive to certain factors, like inflation). Each portfolio, however, has the same basic goal of outperforming the stated benchmark on a risk-adjusted basis and utilizes optimized portfolios designed to provide the highest certainty of outperformance and achieve the target return. Historical volatility is used to construct the risk model. Country and sector exposures normally stay relatively close the benchmark, and liquidity is an important consideration in the portfolio construction process. The portfolios are customizable by region, concentration and client-selected restrictions. These strategies are long-only, and do not systematically hedge currency exposure.

GPIM may also serve as the investment manager to private funds whose assets are managed on a day-to-day basis by an unaffiliated third-party investment adviser, subject to GPIM's general oversight. In such cases, the specific investment strategy (and associated risks) will be set forth in the investment guidelines relating to the private fund and the investment adviser. The investment strategies employed by the unaffiliated third-party investment advisers will vary, but will be broadly comparable to the risks noted above for equity, debt and derivative investments. These risks may be heightened to the extent that an unaffiliated third-party investment adviser invests in non-U.S. securities or in non-U.S. markets. In addition, investors will be

dependent on the performance of the unaffiliated investment adviser in implementing the applicable investment strategy.

GPIM recommends a variety of investments depending on the investment objectives and guidelines applicable to its clients. Each type of security is subject to different risks. Investors in Funds are urged to consult the relevant Fund's offering documents for further information related to the specific risks of an investment in that Fund.

## **Item 9 – Disciplinary Information**

The management of GPIM believes that there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the integrity of GPIM or its management persons.

## **Item 10 – Other Financial Industry Activities and Affiliations**

As of January 1, 2013, GPIM is a NFA approved member and a registered commodity pool operator.

GPIM's indirect affiliate, Guggenheim Partners, LLC, is a global, full-service financial services firm. Guggenheim Partners, GPIM and other Guggenheim Entities, provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other similar services (collectively, "Other Business Activities"). These Other Business Activities create a variety of actual and potential conflicts of interest. First, some of the Other Business Activities may create conflicts between the best interests of a GPIM client or funds, on the one hand, and the best interests of the Guggenheim Entities' other clients, on the other. For example, a Guggenheim Entity may act as adviser to clients in investment banking, financial advisory, asset management, and other capacities related to instruments that may be purchased, sold, or held by GPIM clients or Funds, and a Guggenheim Entity may issue, or be engaged as underwriter for the issuer of, instruments that GPIM clients or Funds may purchase, sell, or hold. At times, these activities may cause a Guggenheim Entity to give advice to clients that may cause these clients to take actions adverse to the interests of GPIM clients or Funds. The Guggenheim Entities and their respective officers, directors, managing directors, partners, employees, and consultants may act in a proprietary capacity with long or short positions, in instruments of all types, including those that may be purchased, sold or held by the Guggenheim clients or Funds. Such activities could affect the prices and availability of the securities and instruments that the Investment Manager seeks to buy or sell for GPIM clients or Funds, which could adversely impact the financial returns of GPIM clients or Funds. Guggenheim Services, LLC provides administrative, operations, and infrastructure services for GPIM.

Guggenheim Securities, LLC ("GS") is an affiliate of GPIM that is a registered broker-dealer. GS acts as agent with respect to the placements of certain investment opportunities which GPIM may purchase for its clients. GS will generally receive a fee from the issuer of the securities that are the subject of the placement. When GPIM purchases these securities from GS, the transactions may be considered riskless principal transactions. GS also structures securities and underwrites securities purchased for GPIM client accounts. The fee received by GS is in addition to management fees and, where applicable, performance-based compensation received by GPIM. GPIM's general policy is to obtain client consent for such transactions, as



required by the Advisers Act and as may be expressly provided for in a client's IMA. Guggenheim Funds Distributors, LLC, and Security Distributors, Inc. are affiliates of GPIM that are registered broker-dealers. GPIM serves as adviser or sub-adviser for funds offered by the above-referenced affiliated broker-dealers.

GPIM is also affiliated with other broker-dealers, none of which are material to GPIM's business. GPIM provides a list of those broker-dealers upon request.

Guggenheim Corporate Funding, LLC ("GCF") is an affiliate of GPIM that offers credit facilities and loans to support the acquisition-related and other activities for companies. GPIM may purchase loans structured or offered by GCF. GPIM may purchase, for client accounts, investments for which GCF or its affiliates receive management fees. In addition, GPIM may acquire investments for client accounts for which GAP, GCREF or another related party may receive fees or other compensation. These fees present a conflict in that GPIM and its affiliate are both receiving fees in the same or related transactions. GPIM may be viewed as having an incentive to purchase such investments to earn its management fee and fees for its affiliate. GPIM seeks to mitigate this potential conflict of interest by evaluating the transaction to determine if it appears to be a favorable investment for the participating accounts relative to other non-affiliated investment opportunities. .

TVA, an affiliate of GPIM, acts as a sub-advisor to funds advised by GPIM by developing and selecting investment strategies using models that are based on the RPB® Methodology.

In addition, GPIM is affiliated with Guggenheim Partners Europe Limited ("GPE"). GPE, based in Dublin, Ireland, was established in 2007. GPE operates as an Investment Business Firm under Regulation 11 of European Communities, Markets in Financial Instruments Directive (or "MiFID"). A potential conflict may exist if the portfolio management teams place opposite trades (*e.g.*, GPE sells a security while GPIM purchases the same security). In order to seek to manage this potential conflict, GPE participates in GPIM's investment committee meetings, where the investment committee discusses credits and whether to hold, buy or sell credits for all participating accounts.

Sammons Enterprises, LLC ("Sammons"), a diversified company with several insurance company subsidiaries, indirectly holds a greater than 20 percent indirect interest in GPIM, and certain Sammons insurance company subsidiaries are advisory clients of GPIM. Guggenheim Capital, LLC, GPIM's parent company, wholly owns Guggenheim Life and Annuity Company ("GLAC") and Paragon Life Insurance Company of Indiana ("PLIC") which are also advisory clients of GPIM. Certain wholly owned subsidiaries of Guggenheim Capital, LLC also act as managers to other insurance companies which are advisory clients of GPIM.

These relationships may pose potential conflicts of interest because there may be the perception that GPIM may have the incentive to favor these related advisory clients over other advisory clients. GPIM's allocation policies and procedures with respect to the allocation of investment opportunities, more fully described in the response to Item 6, mitigate potential conflicts by providing that such investment opportunities are monitored and are allocated in a fair and equitable manner.

GPIM and certain related entities act as adviser (or sub-adviser) and distributor to certain Registered Funds. To the extent permitted by an IMA, GPIM may in certain circumstances invest client assets in such Registered Funds, (including mutual funds, closed-end funds, and/or exchange-traded funds). If a separate

account or Fund holds an interest in any such Registered Fund, the separate account client or Fund investors may be subject to two fees for the management of these assets, one to GPIM and one to the adviser of the vehicle, which may be GPIM or a GPIM affiliate.

GPIM is also affiliated with other investment advisers, both registered and unregistered, which are not material to GPIM's business. GPIM provides a list of those advisors upon request.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

GPIM has adopted a Code of Ethics and Insider Trading Policy ("Code") to comply with Rule 204A-1 under the Advisers Act. The Code includes procedures and limitations that govern the business conduct and personal securities trading of persons associated with GPIM. The Code is based upon the principle that GPIM's employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in a manner intended to avoid: (i) serving their own personal interests ahead of clients; (ii) taking inappropriate advantage of their position with the firm; and (iii) any actual or potential conflicts of interest or any abuse of their position of responsibility. GPIM and its personnel are not permitted to trade on securities with respect to which any of them obtains material non-public information ("MNPI"), including information obtained from public companies which are clients of GPIM. In addition, as described further below, GPIM maintains a restricted list, and employees of GPIM are prohibited from trading in companies contained on the restricted list for their own accounts or client accounts.

Subject to the provisions of the Code described above, GPIM and its related persons may from time to time buy or sell, for their own accounts, the same securities they buy or sell for, or recommend to, GPIM clients. Such trading is performed independently of the trading activities in client accounts, and it is GPIM's policy that a client's interests are always given priority over the interests of GPIM or its related persons. In addition, GPIM or an affiliate may maintain investments in the Funds it manages.

GPIM may receive MNPI about certain issuers. Such issuers will be placed on a restricted list. The Restricted List is a list of issuers in which GPIM and its employees (and, in some cases, GPIM's affiliates and their employees) are restricted from trading. Issuers may be added to the Restricted List in the event that GPIM or certain of its employees have actual possession of MNPI about a company or transaction. Securities will be added to the list in among potentially others, the following circumstances:

- Where there is a concentration of ownership in a security and GPIM's clients already own a substantial portion of the publicly held outstanding shares;
- When GPIM comes into possession of MNPI about a public company, such as business plans, earnings projections, or merger and acquisition plans; or
- When GPIM or any of its employees recommends an equity security, or has access to information relating to such a recommendation, for any UIT sponsored by GPIM or an affiliate of GPIM or any ETF advised or sub-advised by GPIM or its affiliate.

Absent limited and specific exceptions, issuers on the Restricted List may not be traded in GPIM client or employee personal accounts. Client accounts may be forced to deviate from their stated objectives because an issuer is restricted. Specifically, the Restricted List may prohibit GPIM from buying or selling the issuer's securities for the client account, Registered Fund, or Private Fund. If a restricted security is bought for a client account while restricted, the security will be sold and any losses will be borne by GPIM; any gains will be retained in the account by the client. If an issuer's securities are in a client account and subsequently that issuer's securities are placed on the Restricted List, absent an exception, GPIM will not trade that issuer's securities in the client's account until those securities are removed from the Restricted List. The client will bear the risk of loss during the period any such securities are on the Restricted List. Accordingly, the placement of issuers' securities on the Restricted List has the potential to affect GPIM's exercise of discretion over and the performance of client accounts.

GPIM (or an affiliate) serves as general partner (or equivalent) of several private investment vehicles for which it also acts as investment manager. These funds are offered through offering memoranda only to investors that are qualified to invest in the respective funds (*e.g.*, accredited investors, qualified purchasers, or knowledgeable employees). Related persons of GPIM may from time to time solicit, recommend to, or purchase or sell on behalf of clients, securities or other investment products in which GPIM, its affiliates, or other related persons have a financial interest as the investment manager, general partner, director, officer, trustee or as a co-investor in such investment products. The financial interests of GPIM's related persons may create a conflict between the economic interests of these related persons and the interests of GPIM's clients. However, as discussed in the last two paragraphs of the response to this Item 11, GPIM has developed procedures to address related party transactions.

In addition, clients of GPIM may from time to time be solicited to invest in other Funds managed by GPIM or affiliates of GPIM and for which affiliates may serve as general partner or manager in a similar capacity and will be compensated for such services. This presents a potential conflict because GPIM and/or affiliates may receive additional compensation in connection with such investments, as further described in response to Item 10. However, clients receive disclosure about such affiliations and compensation.

GPIM may execute internal cross transactions between client accounts only so long as GPIM (or an affiliate) does not receive any compensation in addition to its management fee in connection with the transaction. Cross trades present an inherent conflict of interest because GPIM represents the interests of both the selling account and the buying account in the same transaction, and GPIM may seek to treat one counterparty to the cross trade more favorably than the other party. Additionally, the price of a security bought or sold through a cross trade may not be as favorable as it might have been had the trade had been executed in the open market, and any benefits of a cross trade may not be equally distributed among participating clients. GPIM has policies and procedures to mitigate these conflicts and help ensure that any internal cross transactions are in the best interests of, and appropriate for, all clients involved and the transactions are consistent with GPIM's obligation to seek best execution.

GPIM will execute internal cross transactions at prices its traders believe are fair to all clients involved and represent the current fair market value of the securities at the time of the transaction. GPIM's traders seek to obtain a reasonable number of relevant independent quotes from market participants to determine cross trade pricing. The quantity, reliability, and source of any independent quotes available and used will vary depending on, among other things, market conditions, asset class, and specific characteristics of a security. When GPIM

seeks to effect a cross trade of less-liquid securities without readily available market quotations, GPIM may be able to reasonably obtain only reliable/firm bids on the security and may not be able to obtain reliable/firm offers. In such cases, GPIM may use such bids to determine the cross trade price, which generally will be the highest firm bid GPIM receives. In addition, if GPIM executes a bona fide purchase or sale of such a security with an unaffiliated counterparty, the same price may be used for a cross trade so long as it is executed on the same day as the bona fide transaction. When GPIM is unable to obtain reliable independent pricing information for a security from one or more market participants after reasonable efforts, the trader will confer with Guggenheim's senior management to determine a fair cross trade price for the asset based upon factors including, but not limited to, third-party pricing service valuations, fair valuation models, or yields and trading prices for comparable assets, taking into account credit considerations and the security's specific attributes.

Notwithstanding the methods for determining cross trade pricing above, GPIM will only execute a cross transaction for a Registered Fund client in accordance with the requirements of Rule 17a-7 under the 1940 Act and the policies of the respective fund family. GPIM will not execute cross transactions in client accounts subject to ERISA. Any cross trades involving a GPIM affiliate will be further subject to additional requirements of the Advisers Act.

From time to time, a GPIM affiliate may act as a principal and/or may receive a mark-up or commission for securities GPIM purchases from such affiliate or another affiliate. Where necessary or appropriate, as provided by client investment guidelines, the IMA or applicable regulations, GPIM obtains approval and discloses to its clients the nature of the transaction prior to effecting such transaction.

GPIM may use an affiliated person (such as an affiliated broker or dealer, or an account more than 25 percent owned by GPIM and/or its affiliates) to hold and clear certain bonds for clients where the use of the affiliated person does not create a conflict of interest. In these transactions, there will be no change in the bond price GPIM pays or receives and the price GPIM's clients pay or receive for the same bonds when the affiliated person provides the bond holding and clearing services. The affiliated person will not receive any spread, mark-up, mark-down or transaction fee from the client for this service, but GPIM may reimburse the affiliated person's expenses. The use of the affiliated person in these situations may permit GPIM to buy bonds for clients where GPIM does not have sufficient time to obtain client consents prior to the trade, and may lessen the chance of error in placing a large number of individual purchases and delivery instructions. When selling bonds, GPIM similarly may aggregate all or a portion of the block at an affiliated person prior to selling them to a dealer. This practice also may produce the same benefits as when buying securities.

GPIM may purchase securities issued by its clients for clients and funds. Such purchases are done in accordance with GPIM's policies and procedures.

GPIM may execute client transactions through GS or Guggenheim Investor Services, LLC, in which case GPIM is required to seek best execution for its clients and, where necessary or appropriate as provided by client investment guidelines, the IMA or applicable regulations, will obtain pre-approval from its clients where GS or an affiliate is paid a fee for the transaction(s).

GPIM has developed policies and procedures addressing principal transactions, cross transactions, and other related party transactions. For separate account clients, as required by the Advisers Act and as may be expressly provided for in a client's IMA, GPIM will disclose the potential conflicts and compensation

associated with such trades to the client and will request consent from the client to allocate the trade to their account.

In the case of most Private Funds, an independent client party or committee (collectively, an “IRC”) reviews and approves the terms of related party transactions, including principal, riskless principal, and investment in GPIM or affiliated managed funds. In connection with this review and approval process, the IRC confirms in writing that a transaction was consummated on comparable terms with similar transactions consummated by unrelated third parties. For related party transactions sought to be allocated to Registered Funds, GPIM will follow the requirements of the 1940 Act, and the applicable Registered Fund’s procedures.

## **Item 12 – Brokerage Practices**

### **Broker Approval Policies and Procedures**

GPIM has adopted Broker Approval Policies and Procedures pursuant to which it maintains an Approved Broker List. The Approved Broker List sets out brokers approved by GPIM that advisory personnel may use to execute client transactions. Transactions may only be executed with brokers on the Approved Broker List unless an exception is granted by an authorized person under the Broker Approval Policies and Procedures. Initially and on an ongoing basis, GPIM consults a variety of information relating to a broker, including regulatory reports and financial information, in connection with adding and maintaining a broker to or on the Approved Broker List. Generally, brokers on the Approved Broker List must, in GPIM’s opinion, have financial stability and a positive reputation in the industry.

GPIM does not typically participate in directed commissions, soft dollar arrangements or directed brokerage, nor does GPIM direct trades to brokers on the basis of client referrals made by such brokers.

### **Aggregation Policy**

In order to minimize execution costs and obtain best execution for clients, trades in the same security transacted on behalf of more than one GPIM client may be aggregated. If trades are aggregated, GPIM will strive to: (i) treat all participating client accounts fairly; (ii) continue to seek best execution; (iii) ensure that clients who participate in an aggregated order will participate at the average share price with all transaction costs shared *pro rata* based on each client’s participation in the transaction; and (iv) disclose its aggregation policy to clients.

When practical, securities bought or sold in an aggregated transaction will be allocated among the participating client accounts by a designated member of the Allocation Group for fixed income securities or by a member of the equity group for equity trades after taking into consideration the specific objectives and constraints for each account as described in response to Item 6.

As further described in response to such item, GPIM allocates transactions involving aggregated orders in a manner deemed equitable to each account, considering each account’s investment guidelines and cash available. GPIM may randomly allocate purchases or sales among accounts or use a rotation list if the amounts involved are too small to be apportioned *pro rata* in a cost-effective manner. Although, in some cases, joint execution of orders and random allocation of small orders could adversely affect the price of the

security that a particular account could obtain in a particular transaction, GPIM believes that the advantages of combined orders or random allocation based on size will generally outweigh the possible disadvantages of separate transactions.

### **Additional Factors**

Members of the Allocation Group who are responsible for allocating trades across fixed income mandated accounts also have some portfolio management responsibilities for several client accounts. The conflict or potential conflict that the portfolio manager allocates larger or more favorable trades to those accounts has been mitigated as other portfolio managers have direct responsibility for the client accounts. Additionally, the team focused approach employed through the allocation procedure described above, further mitigates the potential conflict.

GPIM assists with the selection and purchase of securities for Unit Investment Trusts (“UITs”) for both fixed income and equity securities. Some securities purchased for these trusts may also be suitable for other accounts or Funds managed by GPIM. Trading for Unit Investment Trusts is non-discretionary. GPIM will select securities based upon desired credits. It then will build a portfolio which it submits to Guggenheim Funds (“GF”) for approval. Once approved, GF will direct GPIM on what bonds to purchase for fixed income UITs. For equity UITs, GPIM provides a recommended list of securities for inclusion in the UIT. Trading occurs by GF for equity UITs and for fixed income UITs by GPIM, but for both within the confines of GF’s direction based upon trust cash flows.

### **Item 13 – Review of Accounts**

Investor accounts are reviewed by a combination of designated investment professionals, independent operations staff and investment committees. Each account’s investment guidelines are interrogated with automated compliance engines to help ensure regulatory, strategy, and client investment guidelines are kept within policy. In addition, investment performance figures and analytics are generated and reviewed by portfolio management, operations teams, and the Office of the CIO to ensure consistency of style and to control dispersion.

Generally, weekly the equity leadership team convenes a meeting with the various portfolio managers and senior research professionals to discuss general market conditions. During these meetings, the portfolio managers provide updates of market conditions within their specific segment of the broader equity market. As a segment of the meeting, macro-economic views are discussed with specific emphasis on recent changes in the CIO’s macroeconomic insights. Portfolio managers seek investment opportunities within their respective investment strategies which are approved for purchase by the head of research, portfolio manager or by the investment committee, or in the case of quantitative strategies, through the consistent application of the approved model(s).

The CIO also convenes a regular meeting with the various fixed income sector specialists to discuss general market conditions. During the meeting, the sector specialists provide updates of market conditions within their specific segment of the broad market. The CIO, in consultation and with input from his sector specialists, will then outline the near term investing strategy for each sector. The sector specialists for fixed income will then incorporate the CIO’s macroeconomic insights into their applicable sector investment

selection. Sector specialists seek investment opportunities within their respective sectors, which are approved for purchase by the head of each sector team or by the investment committee dedicated to the specific sector, such as aviation or corporate credit, or in the case of quantitative strategies, through the approved model.

Generally on a monthly basis, the Performance Reporting team within the Operations Division generates a number of reports for review by investment professionals and control staff.

Finally, the CIO holds formal quarterly investment review meetings with the named portfolio managers for each strategy. During these meetings, the CIO reviews the investment performance for each strategy and the underlying investment accounts.

Funds managed by GPIM have an independent trustee or a qualified custodian that distributes a monthly or quarterly account statement that provides holdings details, transaction details and measures of the underlying characteristics of the fund's portfolio against its respective indenture requirements (if applicable). Separate account clients generally receive quarterly performance and holdings reports and monthly holdings and transaction reports directly from the client's custodian. GPIM has internet access to most statements through the custodian's website. Generally no less than monthly, GPIM will reconcile its record of the client positions to the statements received from the custodian. GPIM will also provide performance reports at the request of the client. Fund investors receive certain periodic and annual reports, as specified in the relevant Fund documentation. All such reports will be in writing and may be delivered by electronic means.

#### **Item 14 – Client Referrals and Other Compensation**

GPIM has entered into arrangements with both affiliated and unaffiliated third-party solicitors, including GPIM's affiliated broker-dealer, GS. Such agreements involve the solicitor referring prospective clients to GPIM for the provision of advisory services. These arrangements are structured to comply with Rule 206(4)-3 of the Advisers Act. Such solicitor's compensation may be based on a percentage of the management fees, performance-based compensation, or a combination of both, earned by GPIM from the referred client. In the case of GS, referred clients receive disclosure about the affiliation between GPIM and GS.

The response to Item 10 above provides additional information regarding client referrals and other compensation involving GPIM and its affiliates.

The response to Item 5 above provides information regarding (i) GPIM's origination of, and retention of fees with respect to, transactions including commercial loans on behalf of some of its clients, (ii) investments by GPIM of client assets in limited partnerships or similar vehicles holding real asset classes that are managed by GPIM affiliates that are compensated in addition to fees payable to GPIM, and (iii) GPIM's receipt of management fees services provided to Structured Vehicles.

#### **Item 15 – Custody**

Generally, GPIM does not have custody of client assets other than the Private Fund clients. GPIM is deemed to have custody of the assets of Private Funds by reason of serving as general partner, managing

member, or in a similar capacity with regard to each such Private Fund. Generally, in accordance with applicable custody requirements under the Advisers Act, investors in each Private Fund receive audited financial statements annually. In some cases, however, GPIM may rely on the performance of an annual surprise examination by an independent public accountant to meet applicable custody requirements for Private Funds and any other accounts for which GPIM may have custody. Clients are also encouraged to review account statements sent directly from their custodian or trustee on a monthly or quarterly basis and to compare these statements to any statements received from GPIM or an affiliate.

## **Item 16 – Investment Discretion**

GPIM generally is granted investment discretion over its client accounts, subject to the client's (or Fund's) investment objectives, guidelines and restrictions. For separate accounts, each IMA generally includes investment guidelines. For Funds, guidelines and limitations are described in the respective Fund's offering documents and/or in GPIM's IMA with the Fund. Before assuming discretionary authority for a separate account, GPIM generally executes a power of attorney, normally included in the IMA, with the separate account client pursuant to which GPIM agrees to supervise and direct the investment of the assets in the account in accordance with the IMA for that account.

For its Funds, GPIM is granted discretion through the relevant Fund's organizational document or in GPIM's IMA with the Fund.

## **Item 17 – Voting Client Securities**

GPIM generally is responsible for voting proxies with respect to securities held in client accounts, including clients registered as investment companies under the Investment Company Act of 1940 ("Registered Funds") and clients that are pension plans ("Plans") subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

Where GPIM has been delegated the responsibility for voting proxies, it will take reasonable steps under the circumstances to ensure that proxies are received and voted in the best long-term interests of its clients. This generally means voting proxies with a view to enhancing the value of the shares of stock held in client accounts, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of the proxy vote. GPIM's authority is initially established by its advisory contracts or comparable documents. Clients, however, may change their proxy voting direction at any time.

The financial interest of GPIM's clients is the primary consideration in determining how proxies should be voted. Any material conflicts of interest between GPIM and its clients with respect to proxy voting are resolved in the best interests of the clients.

GPIM utilizes the services of an outside proxy voting firm, Institutional Shareholder Services Inc. ("ISS"), to act as agent for the proxy process, to maintain records on proxy votes for its clients, and to provide independent research on corporate governance, proxy and corporate responsibility issues. The proxy voting



guidelines set forth the ISS guidelines that GPIM uses in voting specific proposals. Depending on the objective of Fund or client account and the portfolio team managing, GPIM will assign the proxy voting guidelines to determine how proxies will be voted. GPIM reviews these voting recommendations and generally votes proxies in accordance with such recommendations. However, GPIM may deviate from the Guidelines if it is determined to be in the best interest of the client. If a proposal is voted contrary to the Guidelines, the reasons will be documented in writing by the appropriate investment team(s) and retained by Operations. The manner in which specific proposals are to be voted may differ based on the type of client account. For example, a specific proposal may be considered on a case-by-case basis for socially aware client accounts, while all other accounts may always vote in favor of the proposal. In the absence of contrary instructions received from GPIM, ISS will vote proxies in accordance with the Guidelines, as such; Guidelines may be revised from time to time. ISS will employ these guidelines based on account set up instructions received from Operations. ISS will notify Operations of all proxy proposals that do not fall within the Guidelines (i.e. proposals which are either not addressed in the Guidelines or proposals for which GPIM has indicated that a decision will be made on a case-by-case basis). Such proposals will be forwarded by Operations to the investment team(s) responsible for the client account. If the investment team(s) responsible determines that there is no material conflict of interest, the proposal will be voted in accordance with the recommendation of said team(s).

Clients may obtain information about how GPIM voted proxies on their behalf, or a copy of GPIM's proxy voting policy, by contacting their GPIM administrative representative.

## **Item 18 – Financial Information**

GPIM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and thus has not included a balance sheet for its most recent fiscal year. GPIM is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients. Additionally, GPIM has not been the subject of a bankruptcy proceeding.