

**Item 1 – Cover Page**

**GSA, LLC**

330 Madison Avenue, 10th Floor

New York, NY 10017

[www.guggenheimpartners.com](http://www.guggenheimpartners.com)

November 15, 2018

This Brochure provides information about the qualifications and business practices of GSA, LLC (“GSA”). If you have any questions about the contents of this brochure, please contact us at [GIInstitutionalCompliance@guggenheimpartners.com](mailto:GIInstitutionalCompliance@guggenheimpartners.com) or, alternatively at [GuggenheimADV@guggenheiminvestments.com](mailto:GuggenheimADV@guggenheiminvestments.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.

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

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

## **Item 2 – Material Changes**

This is the first brochure published by GSA.

### 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 .....	1
Item 6 – Performance-Based Fees and Side-By-Side Management .....	1
Item 7 - Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	5
Item 10 – Other Financial Industry Activities and Affiliations.....	5
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12 – Brokerage Practices .....	13
Item 13 – Review of Accounts .....	14
Item 14 – Client Referrals and Other Compensation .....	14
Item 15 – Custody .....	15
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities .....	15
Item 18 – Financial Information.....	16

## **Item 4 – Advisory Business**

**This brochure has been prepared on the basis of the way GSA, LLC expects to conduct its investment advisory operations once such operations fully commence.**

GSA is a Delaware limited liability company formed on October 25, 2018. Guggenheim Capital, LLC (“Guggenheim Capital”) is the sole owner of GSA through a series of holding companies. Guggenheim Capital is an indirect subsidiary of Sammons Enterprises, Inc. ESOT, of which Greatbanc Trust Company, Trustee serves as the trustee.

GSA intends to provide investment advice to its affiliate, Guggenheim Partners Investment Management, LLC (“GPIM”), and/or other clients.

As of November 15, 2018, GSA does not manage any Regulatory Assets Under Management.

GSA does not participate in any wrap fee program.

## **Item 5 – Fees and Compensation**

### **Management Fees**

GSA expects to receive customary compensation for advisory services provided to its clients.

### **Additional Fees**

GSA and its affiliates may receive fees, commissions, remuneration, or profits made in some transactions involving affiliated entities in addition to any management and performance fees. For more information on transactions involving affiliated entities, please see Item 11.

### **Expenses**

GSA expects that customary costs and expenses will be borne by its clients.

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

### **Performance Based Fees**

For certain clients, GSA may charge a performance or incentive fee or allocation constituting a percentage of profits or gains. Performance-based compensation arrangements are structured in accordance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), to the extent Rule 205-3 applies.

Performance-based fee arrangements may vary among clients and investment strategies.

To the extent that GSA may manage client accounts that pay performance-based fees and client accounts that pay only management fees, or performance-based fees that are calculated in a different manner, such activity may create a potential conflict of interest as the portfolio manager may have an incentive to favor clients with the potential to generate greater fees.

Performance-based compensation arrangements reward GSA for positive performance, and thus may create an incentive for GSA to recommend investments that may be riskier or more speculative than those that would be recommended under a different compensation arrangement.

These potential conflicts of interest are mitigated by GSA's allocation and best execution procedures designed to ensure GSA acts in the best interests of its clients in accordance with its fiduciary duties.

### **Valuation**

As noted above, GSA's fees may be based on the value and performance of the assets held in the client account. When pricing a security, GSA will attempt, in good faith and in accordance with applicable laws, to determine the fair value of the security or other assets. Unless otherwise agreed to with a client, GSA will generally rely 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 GSA to be unreliable, the security or other assets will be valued by GSA or an affiliate in accordance with applicable valuation procedures.

GSA will value securities and assets in client accounts according to its valuation policies. GSA may value an identical asset differently than other affiliated subsidiaries of Guggenheim Partners, LLC ("Guggenheim Partners") value the asset, including because such other entities have information regarding valuation techniques and models or other information that they do not share with GSA. This is particularly the case in respect of difficult-to-value assets. Where appropriate, GSA may also value an identical asset differently in different client accounts, for example because different client accounts are subject to different valuation guidelines pursuant to their respective governing agreements or different third-party vendors perform valuation functions for the client accounts.

In certain cases, GSA faces a potential conflict with respect to such valuations because they affect GSA's compensation. To the extent GSA's fees are based on the value or performance of client accounts, GSA would benefit by receiving a fee based on the impact, if any, of an increased value of assets in an account. In order to mitigate such potential conflicts of interest, GSA will maintain a Valuation Policy to monitor GSA's valuation determinations in accordance with its fiduciary duties.

In measuring clients' assets for the calculation of performance-based compensation, GSA will generally include realized and unrealized capital gains and losses for purposes of such calculations.

### **Side-By-Side Management**

Portfolio managers employed by GSA or its affiliates may manage multiple accounts according to the same or similar investment strategies and may seek to make or sell investments in the same securities, instruments, sectors or strategies. This side-by-side management of multiple accounts may create potential conflicts,

particularly in circumstances where the availability or liquidity of investment opportunities is limited. Certain investments (such as commercial mortgage loans, products structured for insurance company investment requirements, private equity, hedge funds, venture capital and/or other equity interests) may be offered to some but not all clients when appropriately within client investment guidelines, including unaffiliated and affiliated insurance companies (as described below in “Item 10 – Other Financial Industry Activities and Affiliations – Other Potential Conflicts and Material Relationships with Affiliated Entities”).

To address these potential conflicts, GSA’s policies and procedures require that investment decisions for client accounts advised by GSA or its affiliates 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, without consideration of GSA’s or its employees’ or affiliates’ pecuniary or investment interests. In particular, under GSA’s policies and procedures, investment opportunities will be allocated in a manner that GSA believes is consistent with its obligations as an investment adviser. GSA’s policies and procedures relating to allocation of investment opportunities are described further in the “Allocation” section below. For additional information relating to GSA’s general processes to mitigate potential conflicts of interest, see “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts”. GSA is subject to these and/or other similar policies and procedures that are consistent with GSA’s obligations as an investment adviser and that address circumstances that may be unique to GSA’s business. Accordingly, certain client accounts may receive an allocation in a given transaction when other client accounts do not, and account investments and performance resulting from such decisions may differ from client to client.

### **Allocation**

GSA may advise clients with similar investment strategies. GSA has implemented policies and procedures that govern the allocation of investment opportunities among clients in a fair and equitable manner, taking into account the needs and financial objectives of the clients as well as prevailing market conditions. In such circumstances, if an investment opportunity would be appropriate for more than one client, GSA may be required to choose among those clients in allocating the opportunity, or to allocate less of the opportunity to a client than it would ideally allocate if it did not have to allocate to multiple clients. In addition, GSA may determine that an investment opportunity is appropriate for a particular account, but not for another. There can be no assurance that a particular investment opportunity will be allocated in any particular manner.

In order to minimize execution costs for clients, trades in the same security transacted on behalf of more than one client may be aggregated (*i.e.*, blocked or bunched), subject to the aggregation being in the best interests of the participating clients and the firm’s obligation to seek best execution. GSA may aggregate trades, unless it believes that doing so would conflict or otherwise be inconsistent with its duty to seek best execution for the clients and/or the terms of the respective investment advisory contracts and other agreements and understandings relating to the clients for which trades are being aggregated. When GSA believes that it can effectively obtain best execution for the clients by aggregating trades, it may do so for all clients participating in the trade for which aggregated trades are consistent with the respective investment advisory contracts, investment guidelines, and other agreements and understandings relating to the clients.

In the event trades are aggregated, GSA shall: (i) treat all participating client accounts fairly; (ii) continue to seek best execution; and (iii) seek to ensure that clients who participate in an aggregated order will participate at the same price, net of transaction costs.

When a trade is to be executed for a single client and the trade is not in the best interests of other clients at the time of the transaction, then the trade will be executed only for that client. Other instances in which client orders will not be aggregated include, but are not limited to, the following:

- Traders and/or portfolio managers determine that the aggregation is not appropriate due to market conditions;
- Portfolio managers effect the transactions through an approved client-requested directed-brokerage arrangement (*i.e.*, the same security/investment with different brokers), making aggregation unfeasible; or
- A client directs a purchase or sale transaction not in the best interests of other clients at the time of the transaction.

Transactions will be allocated among the participating client accounts after taking into consideration the specific objectives and constraints for each account, which could include, but are not limited to, the following: risk tolerance; rating constraints; maturity constraints; issue size; yield; purchase price; existing exposure of the investment vehicle; minimum trade allocation; minimum position holding size; sector allocation limits; duration; convexity; strategy; lot size; market conditions; and investment guideline considerations. In addition, GSA will consider the strategies, liquidity requirements, investment phase of the account (*i.e.*, ramping-up or taking gains/losses for tax purposes) and cash available in each account when making an allocation decision.

In certain situations in which an investment opportunity would be appropriate for one or more of GSA's clients, it may be necessary or appropriate for GSA to obtain prior written consent from each client to place the investment in the client's account. If GSA is unable to obtain prior written client consent, GSA may allocate the investment opportunity only to the client(s) from whom GSA is able to obtain prior written client consent. The investments will generally be allocated to those clients that provide timely approval, as permitted by their investment guidelines, available cash, and other factors provided herein.

### **Discretionary v. Non-Discretionary Accounts**

GSA intends to provide non-discretionary investment advisory services where GSA advises client accounts on purchasing, selling, holding, valuing, or exercising rights with respect to particular investments, but does not have discretion to execute purchases or sales on behalf of the client accounts without the specific instruction of the client. GSA may advise with respect to the same or similar securities in discretionary and non-discretionary client accounts. There may be timing differences related to the transmission of advice to non-discretionary client accounts for consideration and a determination of whether to act on the advice. As a result, GSA may execute trades in investments for discretionary client accounts in advance of GSA communicating with non-discretionary client accounts about those investments. In other cases, GSA may decide to separate advice in discretionary and non-discretionary accounts.

### **Item 7 - Types of Clients**

GSA will provide investment advisory services to a variety of different types of clients.

## **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. GSA may use charting, fundamental analysis, and technical analysis to formulate client investment opportunities.

GSA may use the services of third-party market service data providers.

GSA intends to provide investment advice, and may manage client assets, using a variety of strategies.

GSA may recommend a variety of investments depending on the investment objectives and guidelines applicable to its clients. Each type of security will be subject to different risks.

## **Item 9 – Disciplinary Information**

GSA does not have any reportable disciplinary events.

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

GSA is an indirect subsidiary of Guggenheim Partners, which is a global, diversified financial services firm. Guggenheim Partners and its affiliates (including GSA) and their respective officers, directors, partners, employees, and consultants (collectively, “Guggenheim Entities”), provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other services.

### **Broker-Dealer Registration**

Guggenheim Securities, LLC (“Guggenheim Securities”) and Guggenheim Funds Distributors, LLC (“GFD”) are affiliates of GSA that are registered broker-dealers (Guggenheim Securities and GFD together, the “Affiliated Broker-Dealers”). Guggenheim Securities also periodically acts as underwriter, initial purchaser, placement agent, financial advisor, arranger and/or structuring advisor with respect to a securities offering or loan and will generally receive a fee from the securities issuer or seller or from the loan borrower, as applicable. In addition, Guggenheim Securities Credit Partners, LLC (“GSCP”), an affiliate of Guggenheim Securities, may provide bridge or other financing to potential borrowers, or provide arranging, structuring, administrative agent or similar services to potential borrowers, and will generally receive a fee from the loan borrower for such services.

GSA may be offered and may purchase, or recommend purchase of, investment opportunities for its clients in transactions for which its affiliates, Guggenheim Securities or GSCP, is involved, and may have an incentive to purchase such investments where such affiliate will receive a fee. Some transactions, depending on the nature of the transaction and Guggenheim Securities’ involvement, are considered Principal Transactions under Section 206(3) of the Advisers Act or require client consent under the relevant client’s investment guidelines or sub-advisory agreement. The fees received by Guggenheim Securities or GSCP from the securities issuer or seller or the loan borrower, as applicable, with respect to the transactions described above are in addition to



management fees and, where applicable, performance-based compensation received by GSA in respect of the client accounts to which GSA allocates the investments. GSA maintains processes to mitigate such potential conflicts of interest – See “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts” for more information.

Guggenheim Securities and/or GFD may also provide administrative, operations, and infrastructure services to GSA. GSA is also affiliated with other broker-dealers, none of which are material to GSA’s business.

### **Registered Investment Advisers**

GSA may provide non-discretionary investment advisory services to GPIM. GPIM is an investment adviser registered with the SEC and is an indirect subsidiary of Guggenheim Capital.

### **Management Persons; Policies and Procedures**

Certain of GSA’s management persons may also hold positions with the affiliates listed above and in this Item 10. In these positions, those management persons of GSA may have some responsibility with respect to the business of these affiliates and the overall compensation these management persons receive may be based, in part, upon the profitability of other parts of Guggenheim Partners. Consequently, in carrying out their roles at GSA and these other entities, these management persons may be subject to the same or similar potential conflicts of interest that exist between GSA and these affiliates. GSA has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that may arise between GSA, its management persons and its affiliates. These policies and procedures include information barriers designed to prevent the flow of information between GSA, personnel of GSA and certain other affiliates; policies and procedures relating to brokerage selection, trading with affiliates or investing in products managed or sponsored by affiliates; and allocation and trade sequencing policies applicable to client accounts. For additional information relating to GSA’s general processes to mitigate potential conflicts of interest, see “Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts”.

### **Other Potential Conflicts and Material Relationships with Affiliated Entities**

GSA may make investments for some client accounts that result in commissions, fees, or other remuneration paid to GSA or one of its affiliates, such as (a) GPIM, (b) Guggenheim Securities, (c) Guggenheim Commercial Real Estate Finance, LLC (and its affiliates), (d) Guggenheim Corporate Funding, LLC, (e) Guggenheim Partners Europe Limited, an Investment Business Firm under Regulation 11 of European Communities, Markets in Financial Instruments Directive (“GPE”) and (f) Guggenheim Loan Services Company, LLC. Such investments may include (i) investments that GSA or one of its affiliates originated, arranged or placed, (ii) investments where GSA or its affiliates provided services to a third party, (iii) investments where GSA or one of its affiliates acts as the collateral agent, administrator, originator, manager, or other service provider, and (iv) investments that are secured or otherwise backed by collateral that could include assets originated or sold by GSA or its affiliates, investment funds or pools managed by GSA or its affiliates or assets or obligations managed by GSA or its affiliates.

As permitted under applicable law and in client agreements, GSA and its affiliates may retain any commissions, fees, or other remuneration, arising from the investments described above. Except as required, such

commissions, fees, or other remuneration generally will not reduce the management or other fees GSA receives from its advisory clients, though in certain circumstances, GSA 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. Commissions, fees, or other remuneration payable to GSA or its affiliates in these transactions may present a potential conflict in that GSA may be viewed as having an incentive to purchase such investments to earn, or facilitate its affiliates' ability to earn, such additional fees or compensation. GSA seeks to mitigate this potential conflict of interest (a) by evaluating the transaction to determine if it appears to be a favorable investment for the participating accounts irrespective of such fees and relative to other non-related investment opportunities, (b) by allocating opportunities to invest in such transactions in accordance with GSA's allocation policy, as described in "Item 6 – Performance-Based Fees and Side-By-Side Management – Allocation" and (c) through the processes described in "Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts".

To the extent permitted by any applicable agreements, GSA 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 GSA or a GSA affiliate. If a client holds an interest in any such fund, the client may be subject to two fees for the management of these assets, one to GSA and one to the adviser of the underlying fund, which may be a GSA affiliate. In other circumstances, GSA may make investments for clients in limited partnerships or similar vehicles. Certain of these vehicles may be managed by affiliates of GSA that will be compensated for such management services.

GSA 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.

Where necessary or appropriate for the transactions described above, as provided by the relevant client investment guidelines, applicable agreements or governing fund documents (as applicable), or under Section 206(3) of the Advisers Act, GSA will disclose to its clients the nature of such transactions prior to the completion of such transaction and obtains the clients' consent.

For more information regarding potential conflicts of interest including participation or interest in client transactions, refer to Item 11.

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

### **Code of Ethics and Personal Trading**

GSA has adopted a Code of Ethics ("Code") and Insider Trading Policy 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 GSA. The Code is based upon the principle that GSA's employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions and private

investments, 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.

Clients may obtain a copy of the Code by contacting their GSA administrative representative.

Additionally, all personnel are subject to policies and procedures regarding confidential and proprietary information, information barriers, private investments, personal loans, outside business activities, political contributions and personal trading.

Subject to the provisions of the Code described above, GSA 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, GSA clients. Such trading is performed independently of the trading activities in client accounts. Related persons may also make investments for their own accounts in securities that are not offered or available to GSA's clients.

GSA 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 GSA. If GSA receives MNPI about certain issuers, such issuers will be placed on the restricted list. The restricted list is a list of issuers in which GSA and its employees (and, in some cases, GSA's affiliates and their employees) are restricted from trading. For example, securities will be added to the list in the following circumstances:

- Where there is a concentration of ownership in a security and GSA's clients already own a substantial portion of the publicly held outstanding shares;
- When GSA comes into possession of MNPI about a public company, such as business plans, earnings projections, or merger and acquisition plans;
- When GSA enters into a contractual agreement with the company not to trade in the company's securities for a period of time; or
- When the CCO determines that pre-clearance of trading in a security is required or desirable as an internal control to ensure continued compliance with applicable law and regulation.

With limited and specific exceptions, issuers on the restricted list may not be traded in GSA 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 GSA from buying or selling the issuer's or an affiliates' securities. 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, GSA will not trade that issuer's securities in the client's account until those securities are removed from the restricted list. Clients 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 GSA's exercise of discretion over and the performance of client accounts.

## **Participation or Interest in Client Transactions**

GSA, from time to time, on behalf of clients, may initiate or recommend transactions in the securities of companies in which GSA's affiliates have controlling or other material direct or indirect interests or are affiliated. In addition, in some circumstances, GSA on behalf of its clients may invest in or provide financing to issuers or borrowers, or may otherwise participate in transactions, in which the issuer or borrower is, or is a subsidiary or affiliate of or otherwise related to, (a) another GSA client, or (b) a related company or other company in which related persons of GSA, or officers or employees of GSA, have investment, financial or other interests, or relationships (including but not limited to directorships or equivalent roles).

Additional conflicts may arise to the extent GSA invests client assets in parts of an issuer's or borrower's capital structure when GSA affiliates or related persons invest in different parts of the same issuer's or borrower's (or its affiliate's) capital structure (including but not limited to investments in public versus private securities, investments in debt versus equity, or investments in senior versus subordinated debt), or where the same or similar instruments in a given issuer or borrower held by GSA's clients and GSA's affiliates or related persons have different rights or benefits.

The financial interests of GSA's affiliates or related persons in issuers and borrowers may create a potential conflict between the economic interests of these affiliates or related persons and the interests of GSA's clients. In addition, to the extent a potential issuer or borrower (or one of its affiliates) is a GSA advisory client, or a GSA advisory client is a lender or financing provider to GSA or its affiliates, a potential conflict may exist, as GSA may have an incentive to favor the interests of those clients relative to those of its other clients. However, as discussed below in "General Process Regarding Potential Conflicts", GSA has developed procedures to address potential conflicts of interest involving such transactions.

GSA or its affiliates or related persons, or their respective officers, directors or employees, including portfolio managers or senior managers of GSA, also may have direct or indirect proprietary or personal investments in and/or have financial or other relationships (including but not limited to directorships or equivalent roles) with certain GSA clients or other investment vehicles that may create potential conflicts of interest. For example, a potential conflict could exist to the extent that portfolio managers or senior GSA personnel, or investment vehicles in which they participate, have direct or indirect personal investments in certain clients or when certain client accounts are investment options in GSA's employee benefit and/or deferred compensation plans. Investment vehicles in which GSA or its affiliates, or their respective officers, directors or employees, including portfolio managers or senior managers of GSA, have an interest may also receive loans or other funding from GSA clients. These participations or interests in client accounts may result in an incentive for GSA to favor these clients over other advisory clients. GSA's allocation policies and procedures with respect to the allocation of investment opportunities, more fully described in the response to Item 6, are intended to mitigate potential conflicts by providing that such investment opportunities are monitored and are allocated in a fair and equitable manner. For additional information regarding GSA's process for mitigating potential conflicts, see "Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – General Process Regarding Potential Conflicts".

### **Cross Transactions, including Principal Cross Transactions**

GSA from time to time may engage in cross transactions between client accounts in which one client will purchase securities or other financial instruments held by another client, only so long as the transaction is in the best interests of both clients and GSA, 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 GSA represents the interests of both the selling account and the buying account in the same transaction, and GSA may be perceived as seeking 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 been executed in the open market, and any benefits of a cross trade may not be equally distributed among participating clients. GSA has policies and procedures to mitigate these potential conflicts of interest and help ensure that internal cross transactions are in the best interests of, and appropriate for, all clients involved and the transactions are consistent with GSA's obligation to seek best execution.

GSA will seek to effect cross transactions at a price that is fair to the clients involved. This generally will be the last traded price, a price obtained from an independent third-party source, such as a pricing service, or the average price obtained from three independent dealers, when available and reliable in accordance with GSA's valuation policies and procedures. GSA's trading desk will typically attempt to identify potential dealers by consulting available databases and utilizing dealer communication tools (*e.g.*, Bloomberg message function), to search for potential dealers from whom GSA can obtain a price for the security to be cross-traded. The trading desk may also contact other dealers with whom GSA has traded in the past, or who are known to be active in the particular industry sector of the asset in question.

There may be circumstances when three independent offers and bids are not available or reliable, or the last traded price is believed not to reflect the market. The quantity and source of any independent quotes from unaffiliated dealers will vary depending on, among other things, market conditions, the dealer's familiarity with the asset class, the type of asset class, and various characteristics of a security (*e.g.*, liquidity, rating, new issuances). Further, GSA's trading desk evaluates quotes to consider whether any such bid and/or ask is reflective of the security's value, and whether any such bid and/or ask should be deemed unreliable or an outlier and, therefore excluded as not reflective of an accurate price for the security. In such circumstances, GSA may use one or two independent bids and/or offers.

However, there still may be instances where no reliable quotes are available. The illiquid nature of the market for leveraged loans and securities that are not publicly traded and that trade infrequently (such as asset-backed securities, mortgage-backed securities, other structured finance securities and certain corporate bonds) may mean that GSA cannot readily locate dealers willing to provide a quote for such securities and loans, or such a quote is unreliable. If no quotes are available or reliable, GSA may proactively solicit dealer bids, or effect a cross trade at a price determined using other methods outlined in its security pricing policy and appropriate for the transaction or instrument in question, such as pricing vendors or valuation models.

GSA will not charge a mark-up/mark-down for cross trades. From time to time, a cross trade may be effected in which one or both sides of the cross trade is an affiliate of GSA, or in which a GSA affiliate may charge a mark-up or commission for securities or other financial instruments GSA purchases from such affiliate or another affiliate.

GSA has developed policies and procedures addressing principal transactions. GSA discloses to its clients the nature of the transaction prior to the completion of such transaction and obtains the clients' consent. See "General Process Regarding Potential Conflicts" below for more information regarding GSA's general processes to mitigate such potential conflicts of interest.

## **Investment Banking Activities**

GSA believes that the nature and range of investment banking clients and other customers to whom our affiliate broker-dealer, Guggenheim Securities, renders investment banking, financial advisory and other services is such that it would be inadvisable to exclude such clients or customers from a GSA client's portfolio. Accordingly, unless a client advises us to the contrary, it is possible that such account's holdings may include the securities or other financial instruments of corporations or other entities for whom Guggenheim Securities performs investment banking and other services, including but not limited to financial advisory or financing services. Moreover, GSA clients' portfolios may include the securities of companies in which Guggenheim Securities makes a market.

Guggenheim Securities and GSA are separated by an information barrier, which generally mitigates any impact of Guggenheim Securities investment banking activities on GSA's trading and investment activities in securities or other financial instruments. At times, federal securities laws may prevent GSA from entering into or recommending certain types of transactions in the securities or other financial instruments of companies for which Guggenheim Securities, as an affiliated broker-dealer, is performing investment banking or other services.

## **Conflicts Resulting from Investment Management Activities**

GSA is an indirect subsidiary of Guggenheim Partners, which is a global, diversified financial services firm. Guggenheim Partners and its direct and indirect subsidiaries (collectively the "Guggenheim Entities") provide their clients with a broad array of investment management, insurance, broker-dealer, investment banking, and other similar services which may create potential and actual conflicts of interest, including, for example, the situations described below.

Some Guggenheim Entities manage long and short portfolios. The simultaneous management of long and short portfolios creates potential conflicts of interest in portfolio management and trading in that opposite directional positions may be taken in client accounts managed by the same investment team, and creates potential risks such as (i) the risk that short sale activity could adversely affect the market value of long positions in one or more portfolios (and vice versa) and (ii) the risks associated with the trading desk receiving opposing orders in the same security simultaneously. GSA has adopted policies and procedures that are reasonably designed to mitigate these potential conflicts.

The Guggenheim Entities may invest on behalf of themselves in securities and other instruments that would be appropriate for, be held by, or fall within the investment guidelines of GSA's clients. The Guggenheim Entities may give advice or take action for their own accounts that may differ from, potentially conflict with or be adverse to advice given or action taken for any of their clients or GSA's clients.

Potential conflicts also may arise because certain securities or instruments may be held in some client accounts but not in others, or that various client accounts may have different levels of holdings in certain securities or instruments, and because various client accounts may pay different levels of fees.

GSA may also give advice or take action with respect to the investments of one or more client accounts that may not be given or taken with respect to other client accounts with similar investment guidelines, objectives, and strategies. Accordingly, client accounts with similar strategies may not hold the same securities or

instruments or achieve the same performance. GSA also may advise client accounts with conflicting guidelines, objectives or strategies. For further detail, see “Item 6 – Performance-Based Fees and Side-By-Side Management”.

Different clients may, pursuant to one transaction or in a series of transactions over time, invest in different parts of an issuer’s or borrower’s capital structure (including but not limited to investments in public versus private securities, investments in debt versus equity, or investments in senior versus subordinated debt), depending on the respective client’s investment objectives and policies. As a result, GSA may at times seek to satisfy its fiduciary obligations to certain clients owning one type or class of investment in a particular issuer or borrower by pursuing or enforcing rights on behalf of those clients, and those activities may have an adverse effect on another client, which owns a different, including more senior or junior, investment in the same issuer or borrower. For example, if one client holds debt securities of an issuer and another client holds equity securities of the same issuer, if the issuer experiences financial or operational challenges, GSA may seek a liquidation of the issuer on behalf of the client that holds the debt securities, whereas the client holding the equity securities may benefit from a reorganization of the issuer. Thus, the actions taken on behalf of one client may negatively impact investments held by another client.

Any of the foregoing activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more client accounts.

GSA may also from time to time enter into arrangements with, or establish certain collective investment vehicles for, certain clients, including affiliated and unaffiliated insurance companies, pursuant to which GSA agrees to share a portion of the fees, commissions, remuneration, or profits otherwise retained by GSA and its affiliates in certain transactions. For more information on transactions involving affiliated entities, including related insurance companies, please see “Item 10 – Other Financial Industry Activities and Affiliations – Other Potential Conflicts and Material Relationships with Affiliated Entities”. The foregoing arrangement may, depending on the circumstances, result in an incentive for GSA to favor or disfavor clients participating in these arrangement or vehicles relative to other advisory clients. GSA’s allocation policies and procedures with respect to the allocation of investment opportunities, more fully described in the response to Item 6, are intended to mitigate potential conflicts by providing that such investment opportunities are monitored and are allocated in a fair and equitable manner.

Finally, GSA may have potential conflicts in allocating its time and services among its clients. GSA devotes as much time to each client as it deems appropriate to perform its duties in accordance with each client’s applicable agreement.

### **General Process Regarding Potential Conflicts**

The transactions described above involve potential conflicts of interest between GSA or its related persons and GSA clients. The Advisers Act, the 1940 Act and Employee Retirement Income Security Act of 1974 impose certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. In addition, GSA has instituted policies and procedures designed to identify and mitigate potential conflicts of interest to the extent they arise in particular transactions and to

ensure that GSA effects such transactions in a manner that is consistent with its fiduciary obligations and in accordance with applicable law.

GSA seeks to ensure that potential or actual conflicts of interest are appropriately resolved, taking into consideration the best interest of all clients involved. Appropriate resolution will depend on the nature of the transaction and the conflict of interest, but may include, without limitation, (a) general disclosure in this brochure, or in advisory or sub-advisory agreements for the relevant clients, or in specific client notifications, or (b) specific client consent for the applicable transaction both as required by applicable law and regulation — including for principal transactions subject to Section 206(3) of the Advisers Act or as required by client investment guidelines or advisory or sub-advisory agreements, or where otherwise determined necessary or appropriate.

Certain GSA compliance personnel have been designated to review transactions in which conflicts of interest may exist, including those described above, to ensure compliance with applicable GSA policies and legal or regulatory requirements.

## **Item 12 – Brokerage Practices**

### **Counterparty/Broker Approval Policy and Procedures**

In selecting a counterparty/broker-dealer to execute trades on behalf of clients, GSA will seek to obtain “best execution” for client transactions (*i.e.*, the most favorable price and execution). In seeking best execution, GSA is not obligated to choose the counterparty offering the lowest available commission rate if, in GSA’s reasonable judgment; (i) there is material risk that the overall cost to purchase securities will be higher or the proceeds from the sale of securities will be lower; (ii) a higher commission is justified by the trading or research services provided by the counterparty that fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended; or (iii) other considerations, such as the order size, the time required for execution, the depth and breadth of the market for the security, minimum credit quality requirements to transact business with a particular counterparty, or the quality of the counterparty’s back office dictate utilizing a different counterparty.

### **Counterparty/Brokerage Selection**

GSA may adopt a Counterparty Approval Policy pursuant to which it maintains an Approved Counterparty List. The Approved Counterparty List will set out counterparties/broker-dealers approved by GSA that advisory personnel may use to execute client transactions. Transactions may only be executed with counterparties/broker-dealers on the Approved Counterparties List unless an exception is granted by an authorized person under the Counterparty Approval Policy. Initially and on an ongoing basis, GSA consults a variety of information relating to a counterparty/broker-dealer, including regulatory reports and financial information, in connection with adding and maintaining a counterparty to the Approved Counterparty List. Generally, counterparties on the Approved Counterparty List must, in GSA’s opinion, have financial stability and a positive reputation in the industry. GSA may execute client transactions through Guggenheim Securities, in which case GSA is required to seek best execution for its clients. More information regarding GSA’s relationship with affiliated broker-dealers is in “Item 10 – Other Financial Industry Activities and Affiliations – Broker-Dealer Registration”.



**Soft Dollar Policy**

GSA does not expect to participate in soft dollar arrangements.

**Directed Brokerage**

GSA does not expect to participate in directed brokerage.

**Client Referrals**

GSA does not expect to direct trades to brokers on the basis of client referrals or solicitations made by such brokers. GSA may execute client transactions through affiliated broker-dealers which solicit clients for GSA. GSA will direct execution to such brokers subject to best execution and proper disclosure to clients.

**Wrap Fee Program**

GSA does not expect to participate in or sponsor a wrap fee program.

**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 GSA client may be aggregated. Aggregation practices are described in Item 6.

**Item 13 – Review of Accounts****Reviews**

Client accounts will be periodically reviewed by a combination of designated investment professionals, risk management, operations and investment committees. GSA will provide performance reports at the request of any client.

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

GSA may enter into arrangements with both affiliated and unaffiliated third-party solicitors, including Affiliated Broker-Dealers, to refer prospective advisory clients to GSA. These arrangements will be structured to comply with Rule 206(4)-3 under the Advisers Act. Such solicitor's compensation will be based on a percentage of the management fees, performance-based compensation, or a combination of both, earned by GSA from the referred client. In the case of Affiliated Broker-Dealers, referred clients receive disclosure about the affiliation between GSA and such Affiliated Broker-Dealer.

The response to Item 10 above provides information regarding (i) GSA's and its affiliates' receipt and retention of fees and other compensation for origination, structuring, arranging, placement and other services provided in relation to transactions in which GSA invests client assets, (ii) investments by GSA of client assets in limited partnerships or similar vehicles holding assets that are managed by GSA or its affiliates and for which GSA or

such affiliates receive management, administrative or other fees or compensation in addition to account-level management fees payable to GSA, and (iii) GSA's receipt of management fees services provided to structured vehicles.

## **Item 15 – Custody**

Unless otherwise agreed to in writing, GSA generally shall not have or maintain custody and/or physical control of assets in any custodial accounts, within the meaning of Rule 206(4)-2 of the Advisers Act (the “Custody Rule”).

GSA shall not be deemed to have or maintain custody and/or physical control of assets in any custodial accounts by virtue of GSA's contractual authority to direct a custodian to make payments and deliveries of assets in any custodial accounts or accept payments and deliveries of cash and other assets of third parties for clients in connection with investments and transactions effected by GSA for a client in accordance with any agreement. Such payments and deliveries may include transfers and/or deliveries of assets as well as receipt of third-party assets as collateral security in connection investments or transactions effected by GSA for a client and deemed appropriate or necessary pursuant to GSA's duties under any applicable agreement.

Clients are urged to review account statements received directly from their custodian or trustee on a monthly or quarterly basis and to compare these statements to any statements received from GSA or an affiliate.

## **Item 16 – Investment Discretion**

GSA will generally have investment discretion over its client accounts, but also intends to provide non-discretionary investment advisory services.

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

GSA generally is responsible for voting proxies with respect to securities held in client accounts.

Where GSA 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 securities 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. GSA's authority is initially established by its advisory contracts with the client or comparable documents. Clients, however, may change their proxy voting direction at any time.

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

In the case of public securities and similar investments, GSA has adopted the proxy voting guidelines of an outside proxy voting firm, Institutional Shareholder Services Inc. ("ISS"), as GSA's proxy voting guidelines ("Guidelines"). GSA has also engaged 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. Depending on the objective of client account, GSA will assess the proxy voting guidelines to determine whether to use any client-specific proxy voting guidelines or to use the Guidelines. GSA reviews the Guidelines and ISS's performance of its duties as agent at least annually. GSA generally does not give ISS instructions to vote proxies in a manner inconsistent with the Guidelines. However, GSA may direct ISS to vote on a particular proposal not in accordance with the Guidelines if GSA determines a different vote to be in the best interest of the client or if required to deviate under applicable law, rule or regulation. If a proposal is voted contrary to the ISS Guidelines, the reasons will be documented in writing by the appropriate investment team(s) and retained by GSA. The manner in which specific proposals are to be voted may differ based on the type of client account. In the absence of contrary instructions received from GSA, ISS will vote proxies in accordance with the ISS guidelines, as such guidelines may be revised from time to time. ISS will employ these guidelines based on account set up instructions received from GSA. ISS will notify GSA of all proxy proposals that do not fall within the ISS guidelines (*i.e.*, proposals which are either not addressed in the ISS guidelines or proposals for which GSA has indicated that a decision will be made on a case-by-case basis, such as fixed income securities). 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 a copy of GSA's proxy voting policy and information about how GSA voted proxies on their behalf by contacting their GSA administrative representative.

## **Item 18 – Financial Information**

GSA 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. GSA is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients. Additionally, GSA has not been the subject of a bankruptcy proceeding.