Guggenheim Taxable Municipal Managed Duration Trust
Form N-CSR
August 08, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-22437
Guggenheim Taxable Municipal Managed Duration Trust
(Exact name of registrant as specified in charter)
227 West Monroe, Chicago, IL, 60606
(Address of principal executive offices) (Zip code)
Amy J. Lee
227 West Monroe, Chicago, IL 60606
(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 827-0100
Date of fiscal year end: May 31
Date of reporting period: June 1, 2015 - May 31, 2016

Item 1. Reports to Stockholders.

The registrant's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the “Investment Company Act”), is as follows:

GUGGENHEIMINVESTMENTS.COM/GBAB
... YOUR LINK TO THE LATEST, MOST UP-TO-DATE
INFORMATION ABOUT THE GUGGENHEIM BUILD
AMERICA BONDS MANAGED DURATION TRUST

The shareholder report you are reading right now is just the beginning of the story.
Online at guggenheiminvestments.com/gbab, you will find:

- Daily, weekly and monthly data on share prices, net asset values, distributions and more
- Monthly portfolio overviews and performance analyses
- Announcements, press releases and special notices
- Fund and adviser contact information

Guggenheim Partners Investment Management, LLC and Guggenheim Funds Investment Advisors, LLC are continually updating and expanding shareholder information services on the Trust's website in an ongoing effort to provide you with the most current information about how your Trust's assets are managed and the results of our efforts. It is just one more small way we are working to keep you better informed about your investment in the Trust.

(Unaudited) May 31, 2016

DEAR SHAREHOLDER

We thank you for your investment in the Guggenheim Build America Bonds Managed Duration Trust (the "Trust"). This report covers the Trust's performance for the 12-month period ended May 31, 2016.

The Trust's primary investment objective is to provide current income with a secondary objective of long-term capital appreciation. Under normal market conditions, the Trust invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in a diversified portfolio of taxable municipal securities known as Build America Bonds or BABs. The Trust's nonfundamental investment policy was changed during the period. Please see the Question & Answers section for more information on the modifications.

All Trust returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the 12-month period ended May 31, 2016, the Trust provided a total return based on market price of 10.95% and a total return based on NAV of 7.25%. As of May 31, 2016, the Trust's market price of $22.28 per share represented a discount of 4.38% to its NAV of $23.30 per share. The market value of the Trust's shares fluctuates from time to time and it may be higher or lower than the Trust's NAV. The NAV return includes the deduction of management fees, operating expenses, and all other Trust expenses.

From June 2015 through May 2016, the Trust paid monthly distributions of $0.13817 per share, representing an annualized distribution rate of 7.44% based on the Trust's closing market price of $22.28 on May 31, 2016. The Trust's distribution rate is not constant and the amount of distributions, when declared by the Trust's Board of Trustees, is subject to change based on the performance of the Trust. Please see Note 2(d) on page 46 for more information on distributions for the period.

Guggenheim Funds Investment Advisors, LLC ("GFIA" or the "Adviser") serves as the investment adviser to the Trust. Guggenheim Partners Investment Management, LLC ("GPIM" or the "Sub-Adviser") serves as the Trust's investment sub-adviser and is responsible for the management of the Trust's portfolio of investments. Each of the Adviser and the Sub-Adviser is an affiliate of Guggenheim Partners, LLC ("Guggenheim"), a global diversified financial services firm.

We encourage shareholders to consider the opportunity to reinvest their distributions from the Trust through the Dividend Reinvestment Plan ("DRIP"), which is described in detail on page 65 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly distribution in common shares of the Trust purchased in the market at a price less than NAV. Conversely, when the market price of the Trust's common shares is at a premium above NAV, the DRIP reinvests participants' distributions in newly-issued common shares at the greater of NAV per share or 95% of the market price per share. The DRIP provides a cost effective means to accumulate additional shares and enjoy the benefits of compounding returns over time. Since the Trust endeavors to maintain a steady monthly distribution rate, the DRIP effectively provides an income averaging technique, which causes shareholders to accumulate a larger number of Trust shares when the share price is lower than when the price is higher.

DEAR SHAREHOLDER (Unaudited) continued May 31, 2016

To learn more about the Trust's performance and investment strategy for the annual period ended May 31, 2016, we encourage you to read the Questions & Answers section of this report, which begins on page 5. We are honored that you have chosen the Guggenheim Build America Bonds Managed Duration Trust as part of your investment portfolio. For the most up-to-date information regarding your investment, please visit the Trust's website at guggenheiminvestments.com/gbab.

Sincerely,
Donald C. Cacciapaglia
President and Chief Executive Officer
Guggenheim Build America Bonds Managed Duration Trust
June 30, 2016

QUESTIONS & ANSWERS (Unaudited) May 31, 2016

Guggenheim Build America Bonds Managed Duration Trust (the “Trust”) is managed by a team of seasoned professionals at Guggenheim Partners Investment Management, LLC (“GPIM” or the “Sub-Adviser”). This team includes B. Scott Minerd, Chairman of Investments and Global Chief Investment Officer; Anne B. Walsh, CFA, JD, Senior Managing Director and Assistant Chief Investment Officer; and James E. Pass, Senior Managing Director. In the following interview, the investment team discusses the market environment and the Trust’s strategy and performance for the 12-month period ended May 31, 2016.

What were the most important developments in the Trust over the past 12 months?

For the period, the Trust performed well relative to both major equity and fixed income indices, as the search for yield accelerated demand for bonds in the municipal sector. Anemic global economic growth has prompted central banks to move to a more accommodative stance, resulting in yields moving lower globally, even leading to increases in the amount of municipal debt owned by foreign buyers. The Trust experienced strong return for the period, 10.95% on a market price basis (7.25% on an NAV basis), compared with the 7.68% return of the Bank of America Merrill Lynch (BofA/ML) Build America Bond Index. The Trust benefited from lower duration, as rate volatility continued over the period, and spread compression within the fixed income market. The Trust continued holding interest rate swaps over the period to help protect the portfolio from interest rate volatility.

The Trust also made a change in its nonfundamental investment policy. It is discussed further below.

What is the Trust’s investment objective and how is it pursued?

The Trust’s primary investment objective is to provide current income with a secondary objective of long-term capital appreciation. The Trust seeks to achieve its investment objectives by investing primarily in a diversified portfolio of taxable municipal securities known as BABs. Under normal market conditions, the Trust invests at least 80% of its managed assets (net assets plus leverage) (“Managed Assets”) in BABs. The Trust may invest up to 20% of its Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal subsidy payments under the American Recovery and Reinvestment Act of 2009 (the “Act”), municipal securities, the interest income from which is exempt from regular federal income tax (sometimes referred to as “tax-exempt municipal securities”), asset-backed securities (“ABS”), senior loans, and other income-producing securities.

At least 80% of the Trust’s Managed Assets are invested in securities that, at the time of investment, are investment grade quality. The Trust may invest up to 20% of its Managed Assets in securities that, at the time of investment, are below investment grade quality. Securities of below investment grade quality are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Trust does not invest more than 25% of its Managed Assets in municipal securities in any one state of origin or more than 15% of its Managed Assets in municipal securities that, at the time of investment, are illiquid.

BABs are taxable municipal securities that include bonds issued by state and local governments to finance capital projects such as public schools, roads, transportation infrastructure, bridges, ports, and public buildings, pursuant to the Act. In contrast to traditional municipal bonds, interest received on BABs is subject to federal income tax and may be subject to state income tax. However, issuers of Direct Payment BABs are eligible to receive a subsidy from the U.S. Treasury of up to 35% of the interest paid on the bonds, allowing such issuers to issue BABs that pay interest rates that are competitive with the rates typically paid by private bond issuers in the taxable fixed-income market. In addition, because the relevant provisions of the Act were not extended, bonds issued after December 31, 2010 cannot qualify as BABs. Therefore, the number of BABs available in the market is limited.

The Sub-Adviser employs investment and trading strategies to seek to maintain the leverage-adjusted duration of the Trust's portfolio to generally less than 10 years. At May 31, 2016, the Trust's duration was approximately 7 years. (Duration is a measure of a bond's price sensitivity to changes in interest rates, expressed in years. Duration is a weighted average of the times that interest payments and the final return of principal are received. The weights are the amounts of the payments discounted by the yield to maturity of the bond.)

The Sub-Adviser may seek to manage the duration of the Trust's portfolio through the use of derivative instruments, including U.S. Treasury swaps, credit default swaps, total return swaps, and futures contracts, in an attempt to reduce the overall volatility of the Trust's portfolio to changes in market interest rates. The Sub-Adviser used derivative instruments to manage the duration of the Trust's portfolio during the period. The Sub-Adviser may seek to manage the Trust's duration in a flexible and opportunistic manner based primarily on then-current market conditions and interest rate levels. The Trust may incur costs in implementing the duration management strategy, but such strategy will seek to reduce the volatility of the Trust's portfolio.

Discuss the change in the Trust's nonfundamental investment policy that occurred in the period.

The Trust will continue to pursue its primary investment objective of providing current income with a secondary objective of long-term capital appreciation. However, as a result of investment policy changes approved by the Trust's Board of Trustees (the "Board") in May 2016, the Trust will no longer be required to invest a specific percentage of its managed assets in BABs. The change becomes effective on July 26, 2016.

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

Given the uncertainty around the continuation of the BABs program at the time of the Trust's commencement of operations in 2010, the Trust's initial public offering prospectus stated that if the BABs program was not extended and there ceased to be new issuances of BABs or other taxable municipal securities with interest payments subsidized by the U.S. Government through direct pay subsidies, the Board intended to evaluate potential actions with respect to the Trust, which could include, among other things, changes to the non-fundamental investment policies of the Trust to permit the Trust to broaden its investment focus, for example to taxable municipal securities generally, merger of the Trust into another fund, or termination of the Trust.

Given that there have been no new issuances of BABs, the investment policy changes described herein reflect the Board's evaluation of the Trust pursuant to its prospectus. The Trust believes that these investment policy changes are appropriate at this time to potentially diversify the Trust's portfolio by broadening its investment universe and providing portfolio management flexibility to take advantage of relative value opportunities in the taxable municipal market as a whole.

No other changes to the Trust's other investment agencies or the Trust's portfolio management team are currently anticipated, nor is it currently anticipated that there will be substantial portfolio turnover in conjunction with these changes in the immediate future.

Current Policy

Under normal market conditions, the Trust will invest at least 80% of its Managed Assets in BABs.

Under normal market conditions, the Trust may invest up to 20% of Managed Assets in securities other than BABs, including taxable municipal securities that do not qualify for federal subsidy payments under the American Reinvestment and Recovery Act, municipal securities the interest income from which is exempt from regular federal income tax (sometimes referred to as "tax-exempt municipal securities"), asset-backed securities, senior loans and other income producing securities.

The name of the Trust is Guggenheim Build America Bonds Managed Duration Trust

New Policy (Effective July 26, 2016)

Under normal market conditions, the Trust will invest at least 80% of its Managed Assets in taxable municipal securities, including BABs.

Under normal market conditions, the Trust may invest up to 20% of its Managed Assets in securities other than taxable municipal securities, including tax-exempt municipal securities, asset-backed securities, senior loans and other income producing securities.

The name of the Trust will be Guggenheim Taxable Municipal Managed Duration Trust

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

How will the Trust benefit from greater participation in the taxable municipal market?

Issuance of taxable municipal bonds offers issuers—such as states, local governments, and non-profit organizations—an opportunity to diversify bondholders and allows funding of certain projects not eligible for tax-exempt bonds. Prior to the creation of the BABs Program and other federally sponsored programs, taxable municipal issuance had averaged approximately $35 billion per year or roughly 10% of total municipal issuance. During the BAB years (2009 and 2010), over $187 billion of taxable municipal bonds were issued. Today, average annual taxable municipal issuance is approximately $30 billion. Although BABs are no longer issued, they do trade actively in the secondary market. Unlike BABs, a primary market for taxable municipal bonds does exist, creating an investment opportunity for the Trust.

Characteristics for taxable municipal bonds resemble BABs although private higher education institutions and health care organizations, who were not eligible to issue BABs, have been historically active issuers. The Barclays Taxable Municipal Index has twice as many taxable municipals as the BAB Index, indicating a broader investment universe for the Trust.

What is the current outlook for Build America Bonds?

The ongoing effects of federal sequestration—automatic spending cuts that were negotiated as part of the fiscal cliff legislation in 2013—continue to hang over the BABs market. One ongoing impact is reductions in the federal subsidy used to pay the coupon on BABs. It was cut by more than 7% in each of the past two years and is being cut almost 7% for fiscal 2016. The lower subsidy effectively increases the cost of borrowing for issuers. The reduction in the subsidy may allow issuers to redeem bonds early, and certain issuers have begun to refund BABs with municipal bonds, and as we approach 2019 and thereafter, more state and local governments may elect to do the same.

What were the significant events affecting the economy and market environment over the past 12 months?

Much of the 12 months ended May 31, 2016, was marked by heightened market volatility. The macro drivers of this volatility included mixed signals on U.S. economic growth, the vagaries of the oil market, and increased monetary accommodation by global central banks.

Gross Domestic Product ("GDP") growth in the first quarter of 2016 is now estimated to have been 1.1%, but early estimates were much lower. Net exports and an ongoing inventory adjustment contributed to the number being weaker than prior annual growth figures, but the drag from these components could be transitory. Part of the weakness could be attributed to "residual seasonality," a statistical quirk that biases GDP growth downward in the winter months while boosting growth in the second and third quarters.

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

The New York Federal Reserve's Nowcast and the Atlanta Federal Reserve's GDPNow models are predicting second quarter GDP to be above 2% as of the end of May 2016, thanks in part to the easing of financial conditions since February. But, news that only 38,000 new jobs were added in May rattled the markets and is suggestive that there could still be challenges ahead. While payroll growth has downshifted from an average monthly rate of 282,000 in the fourth quarter of 2015 to 116,000 in the three months through May, this may be a more sustainable pace of net job creation. Guggenheim forecasts further slowdown in payroll growth over the next few months, with rising labor productivity bridging the gap between faster GDP growth and slower job gains.

Guggenheim now expects the U.S. Federal Reserve (the "Fed") to delay its next rate hike until December. In our view, policymakers will be watching slowing Chinese growth, the aftermath of the Brexit vote in June, and the U.S. presidential election in November. Fed officials have given greater weight to global economic developments in their policy framework, which in practice means that the Federal Open Market Committee (FOMC) has become less tolerant of financial market turbulence and more tolerant of inflation at the margin. We see this dovish shift as benefiting U.S. credit markets and inflation-sensitive assets.

A more accommodative Fed outlook has pushed interest rates lower and weakened the U.S. dollar, which depreciated by around 3% on a trade-weighted basis between January and the end of May. Oil prices have benefited from dollar weakness. Our research team's oil model indicates that WTI oil prices will average around $45 per barrel for the remainder of 2016. In sum, solid but unspectacular economic growth, a cautious Fed, and improving oil market supply-demand fundamentals underpin our positive outlook for the U.S. economy, which should continue to support a historically low default environment for credit.

How did the Trust perform for the 12 months ended May 31, 2016?

All Trust returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the 12-month period ended May 31, 2016, the Trust provided a total return based on market price of 10.95% and a total return based on NAV of 7.25%. As of May 31, 2016, the Trust's market price of $22.28 per share represented a discount of 4.38% to its NAV of $23.30 per share. As of May 31, 2015, the Trust's market price of $21.64 per share represented a discount of 7.32% to its NAV of $23.35 per share. The market value of the Trust's shares fluctuates from time to time and it may be higher or lower than the Trust's NAV. The NAV return includes the deduction of management fees, operating expenses, and all other Trust expenses.

From June 2015 through May 2016, the Trust paid monthly distributions of $0.13817 per share, representing an annualized distribution rate of 7.44% based on the Trust's closing market price of $22.28 on May 31, 2016. The Trust's distribution rate is not constant and the amount of distributions, when declared by the Trust's Board of Trustees, is subject to change based on the performance of the Trust. Please see Note 2(d) on page 46 for more information on distributions for the period.

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

Why did the Trust accrue excise tax during the period?
As a registered investment company, the Trust is subject to a 4% excise tax that is imposed if the Trust does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the trust's fiscal year). The Trust generally intends to distribute income and capital gains in the manner necessary to minimize (but not necessarily eliminate) the imposition of such excise tax. While the Trust's income and capital gains can vary significantly from year to year, the Trust seeks to maintain more stable monthly distributions over time. The Trust may retain income or capital gains and pay excise tax when it is determined that doing so is in the best interest of shareholders. Management, in consultation with the Board, evaluates the costs of the excise tax relative to the benefits of retaining income and capital gains, including that such undistributed amounts (net of the excise tax paid) remain available for investment by the Trust and are available to supplement future distributions, which may facilitate the payment of more stable monthly distributions year over year.

How did other markets perform in this environment for the 12-month period ended May 31, 2016?	
Barclays U.S. Aggregate Bond Index	2.99%
Barclays U.S. Corporate High Yield Index	-0.81%
Credit Suisse Leveraged Loan Index	0.58%
BofA/ML ABS Master BBB-AA Index	1.84%
S&P 500 Index	1.72%

Discuss Trust asset allocation for the 12-month period ended May 31, 2016.
The Trust's asset allocation did not change significantly over the 12-month period. Approximately 90% of the Trust's long-term investments (excluding cash) remain in BABs and Qualified School Construction Bonds (QSCBs), which are qualifying investments given the Trust's policy in effect at the end of the period of investing at least 80% of its Managed Assets in BABs. The rest of the Trust's Managed Assets, approximately 10% of the Trust's long-term investments, were invested in non-BABs securities, such as asset-backed securities (ABS), bank loans, and high yield corporate bonds.
Discuss the Trust's performance and sectors the Trust is most heavily invested in.
The municipal market started the fiscal year strong, with outperformance in both the tax-exempt municipal and taxable municipal sectors. Spread-tightening in the taxable municipal sector (including BABs and QSCBs) and the non-BABs portion of the portfolio contributed to performance for the period.

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

The Trust's BABs portfolio performance was driven by favorable security selection and lower interest rate sensitivity than the benchmark amid ongoing rate volatility. The Trust slightly lowered duration over the period and slightly increased credit quality, to help manage risk. In addition, the Trust held interest rate swaps over the period to help manage the cost of leverage and to manage duration. The Trust continued to focus on A-rated taxable municipals in credit selection.

As for the Trust's non-BABs components, ABS performance lagged that of the Build America Bonds Index, but outperformed bank loans and high yield for the period. Much of the non-BABs exposure is floating rate, which acts as a buffer to market volatility.

In its high yield allocation, the Trust continues to favor companies with strong cash flows, recurring revenue streams, and high-quality margins that should remain the focus in the later stages of the credit cycle. The Trust believes in staying up in quality in its high yield holdings, as times of uncertainty have been accompanied by higher volatility in lower-quality assets.

What is the Trust's leverage (borrowing) strategy?

Since leverage adds to performance when the cost of leverage is less than the total return generated by investments, the use of leverage contributed to the Trust's total return during this period. The Trust utilizes leverage as part of its investment strategy, to finance the purchase of additional securities that provide increased income and potentially greater appreciation potential to common shareholders than could be achieved from a portfolio that is not leveraged. Leverage will not exceed 33.33% of the Trust's Managed Assets.

As of May 31, 2016, the Trust's leverage was approximately 27% of Managed Assets, slightly above the level from one year ago. The Trust currently employs leverage through reverse repurchase agreements with at least three different counterparties and a credit facility with a major bank.

There is no guarantee that the Trust's leverage strategy will be successful. The Trust's use of leverage may cause the Trust's NAV and market price of common shares to be more volatile and could magnify the effect of any losses.

QUESTIONS & ANSWERS (Unaudited) continued May 31, 2016

Index Definitions

Indices are unmanaged and reflect no expenses. It is not possible to invest directly in an index.

The Bank of America Build America Bond Index is designed to track the performance of U.S. dollar-denominated Build America Bonds publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. market.

The Barclays U.S. Aggregate Bond Index represents securities that are U.S. domestic, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

The Barclays U.S. Corporate High Yield Index is an unmanaged index of below investment grade bonds issued by U.S. corporations.

The Credit Suisse Leveraged Loan Index is an index designed to mirror the investable universe of the U.S.-dollar-denominated leveraged loan market.

The BofA/ML ABS Master BBB-AA Index is a subset of The BofA/ML U.S. Fixed Rate Asset Backed Securities Index including all securities rated AA1 through BBB3, inclusive.

The Standard & Poor's ("S&P 500") Index is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad economy, representing all major industries and is considered a representation of U.S. stock market.

Risks and Other Considerations

The views expressed in this report reflect those of the portfolio managers only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any kind. The material may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass. There can be no assurance that the Trust will achieve its investment objectives. The value of the Trust will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value.

Please see guggenheiminvestments.com/gbab for a detailed discussion of the Trust's risks and considerations.

TRUST SUMMARY (Unaudited) May 31, 2016

Trust Statistics	
Share Price	$22.28
Net Asset Value	$23.30
Discount to NAV	-4.38%
Net Assets ($000)	$405,820

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIOD ENDED MAY 31, 2016

	One Year	Three Year	Five Year	Since Inception (10/28/10)
Guggenheim Build America Bonds Managed Duration Trust				
NAV	7.25%	7.01%	9.88%	10.90%
Market	10.95%	7.29%	10.53%	9.52%

Performance data quoted represents past performance, which is no guarantee of future results and current performance may be lower or higher than the figures shown. The NAV return includes the deduction of management fees, operating expenses, and all other Trust expenses. The deduction of taxes that a shareholder would pay on Trust distributions or the sale of Trust shares is not reflected in the total returns. For the most recent month-end performance figures, please visit guggenheiminvestments.com/gbab. The investment return and principal value of an investment will fluctuate with changes in market conditions and other factors so that an investor’s shares, when sold, may be worth more or less than their original cost.

Portfolio Breakdown	% of Total Net Assets
Municipal Bond	112.1%
Asset Backed Securities	10.6%
Senior Floating Rate Interests	5.3%
Corporate Bonds	4.8%
Preferred Stocks	1.2%
Collateralized Mortgage Obligations	0.5%
Short Term Investments	0.2%
Common Stocks	0.0%*
Total Investments	134.7%
Other Assets & Liabilities, net	-34.7%
Net Assets	100.0%

*Less than 0.1%

Portfolio breakdown and holdings are subject to change daily. For more information, please visit guggenheiminvestments.com/gbab. The above summaries are provided for informational purposes only and should not be viewed as recommendations. Past performance does not guarantee future results.

TRUST SUMMARY (Unaudited) continued May 31, 2016

Ten Largest Holdings	% of Total Net Assets
New Jersey Turnpike Authority Revenue Bonds, 7.10%	3.6%
State of West Virginia, Higher Education Policy Commission, Revenue Bonds, Federally Taxable Build America Bonds 2010, 7.65%	3.6%
Westchester County Health Care Corporation, Revenue Bonds, Taxable Build America Bonds, 8.57%	3.4%
Dallas, Texas, Convention Center Hotel Development Corporation, Hotel Revenue Bonds, Taxable Build America Bonds, 7.09%	3.4%
California, General Obligation Bonds, Various Purpose, Taxable Build America Bonds, 7.70%	3.0%
Noblesville Multi-School Building Corporation, Hamilton County, Indiana, Taxable Unlimited Ad Valorem Property Tax First Mortgage Bonds, Build America Bonds, 6.50%	2.9%
Los Angeles, California, Department of Water & Power Revenue, Taxable Build America Bonds, 7.00%	2.9%
Los Angeles, California, Department of Water & Power Revenue, Taxable Build America Bonds, 7.00%	2.9%
El Paso, Texas, Combination Tax and Revenue Certification of Obligation, Taxable Build America Bonds, 6.70%	2.8%
County of Miami-Dade Florida Transit System Revenue Bonds, 6.91%	2.8%
Top Ten Total	31.3%

"Ten Largest Holdings" exclude any temporary cash or derivative investments.

TRUST SUMMARY (Unaudited) continued May 31, 2016

Portfolio Composition by Quality Rating*

Rating	% of Total Investments
Fixed Income Instruments	
AAA	2.1%
AA	49.9%
A	27.5%
BBB	9.7%
BB	2.9%
B	5.7%
CCC	0.2%
D	0.0%***
NR**	0.9%
Other Instruments	
Preferred Stocks	0.9%
Common Stocks	0.1%
Short Term Investments	0.1%
Total Investments	100.0%

* Source: BlackRock Solutions. Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). All securities except for "NR", or not rated, have been rated by Moody's, Standard & Poor's ("S&P"), or Fitch, which are all a Nationally Recognized Statistical Rating Organization ("NRSRO"). For purposes of this presentation, when ratings are available from more than one agency, the highest rating is used. Guggenheim Investments has converted Moody's and Fitch ratings to the equivalent S&P rating. Security ratings are determined at the time of purchase and may change thereafter.

** NR securities do not necessarily indicate low credit quality.

*** Less than 0.1%.

TRUST SUMMARY (Unaudited) continued May 31, 2016

PORTFOLIO OF INVESTMENTS May 31, 2016

	Shares	Value
COMMON STOCKS – 0.0%**		
Technology – 0.0%**		
Aspect Software, Inc*,†††,1	6,275	$ 178,844
Communications – 0.0%**		
Cengage Learning Acquisitions, Inc.*,††	3,457	71,733
Consumer, Non-cyclical – 0.0%**		
Targus Group International Equity, Inc*,†††,1	18,415	28,175
Basic Materials – 0.0%**		
Mirabela Nickel Ltd.*,†††,1	335,401	24
Total Common Stocks		
(Cost $401,140)		278,776
PREFERRED STOCKS – 1.2%		
Industrial – 1.2%		
Seaspan Corp.		
9.50%*,††,2,3	200,000	5,060,000
Financial 0.0%**		
GSC Partners CDO Fund V Ltd.		
11/20/16*,†††,1,5,6	475	–
Total Preferred Stocks		
(Cost $5,024,927)		5,060,000

	Face Amount	Value
SHORT TERM INVESTMENTS†– 0.2%		
Dreyfus Treasury Prime Cash Management Institutional Shares, 0.17%[7]	$ 649,491	649,491
Total Short Term Investments		
(Cost $649,491)		649,491

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1%		
California – 22.7%		
Los Angeles, California, Department of Water & Power Revenue, Taxable Build America Bonds[8]		
7.00% due 07/01/41	10,000,000	11,767,700
7.00% due 07/01/41	10,000,000	11,748,400
Santa Ana Unified School District, California, General Obligation Bonds, Federal Taxable Build America Bonds[8]		
7.10% due 08/01/40	7,755,000	10,537,649
6.80% due 08/01/30	2,245,000	2,857,009

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS[†‡] 112.1% (continued)		
California – 22.7% (continued)		
California, General Obligation Bonds, Various Purpose, Taxable Build America Bonds[8]		
7.70% due 11/01/30[2]	$10,000,000	$ 12,160,899
Oakland Unified School District, County of Alameda, California, Taxable General Obligation Bonds, Election of 2006, Qualified School Construction Bonds, Series 2012B		
6.88% due 08/01/33[2]	10,000,000	11,066,000
Long Beach Unified School District, California, Qualified School Construction Bonds, Federally Taxable, Election of 2008, General Obligation Bonds		
5.91% due 08/01/25	7,500,000	9,008,550
Metropolitan Water District, Southern California, Water Revenue Bonds, 2010 Authorization, Taxable Build America Bonds[8]		
6.95% due 07/01/40	5,000,000	5,893,400
Riverside Community College District, Riverside County, California, Election of 2004 General Obligation Bonds, Taxable Build America Bonds[8]		
7.02% due 08/01/40[2]	5,000,000	5,797,400
Sonoma Valley Unified School District, General Obligation, Federally Taxable Bonds		
7.12% due 08/01/28[2]	3,330,000	3,881,115
Culver City Redevelopment Agency, California, Taxable Tax Allocation Bonds, Culver City Redevelopment Project		
8.00% due 11/01/20	3,000,000	3,247,380
Monrovia Unified School District, Los Angeles County, California, Election of 2006 General Obligation Bonds, Build America Bonds, Federally Taxable[8]		
7.25% due 08/01/28[2]	1,025,000	1,308,587
Placentia-Yorba Linda Unified School District (Orange County, California), General Obligation Bonds, Federally Taxable Direct-Pay Qualified School Construction Bonds, Election of 2008		
5.40% due 02/01/26[2]	1,000,000	1,176,450
Cypress Elementary School District (Orange County, California), General Obligation Bonds, Direct Pay Qualified School Construction Bonds, 2008 Election		
6.65% due 08/01/25[2]	660,000	792,191
6.05% due 08/01/21[2]	340,000	382,344
Alhambra Unified School District, Elementary Schools Improvement District, Los Angeles County, California, Election of 2008 General Obligation Bonds, Federally Taxable		
6.70% due 02/01/26[2]	500,000	633,520
Total California		92,258,594
Illinois – 10.9%		
Northern Illinois University, Auxiliary Facilities System Revenue Bonds,		

Build America Program, Taxable[8]		
8.15% due 04/01/41	5,000,000	5,704,649
7.95% due 04/01/35[2]	4,500,000	5,126,625

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1% (continued)		
Illinois – 10.9% (continued)		
Chicago, Illinois, Second Lien Wastewater Transmission Revenue Project Bonds, Taxable Build America Bonds[8]		
6.90% due 01/01/40[2]	$ 5,100,000	$ 6,516,932
City of Chicago Illinois General Obligation Unlimited		
5.43% due 01/01/42[2]	4,015,000	3,306,473
6.26% due 01/01/40[2]	3,575,000	3,178,533
Illinois, General Obligation Bonds, Taxable Build America Bonds[8]		
7.35% due 07/01/35	5,000,000	5,655,900
Chicago, Illinois, Second Lien Water Revenue Bonds, Taxable Build America Bonds[8]		
6.74% due 11/01/40[2]	2,990,000	3,787,523
Chicago, Illinois, Board of Education, Unlimited Tax General Obligation Bonds, Dedicated Revenues, Taxable Build America Bonds[8]		
6.52% due 12/01/40[2]	5,000,000	3,758,450
Southwestern Illinois, Development Authority, Taxable Local Government, Program Revenue Bonds, Flood Prevention District Council Project, Recovery Zone Economic Development Bonds		
7.23% due 10/15/35[2]	3,000,000	3,349,140
Southwestern Illinois, Development Authority, Taxable Local Government, Program Revenue Bonds, Flood Prevention District Project, Build America Bonds[8]		
7.03% due 04/15/32[2]	2,000,000	2,242,920
State of Illinois General Obligation Unlimited		
6.63% due 02/01/35	930,000	1,015,030
6.73% due 04/01/35	200,000	219,788
Chicago Board of Education General Obligation Unlimited		
6.14% due 12/01/39[2]	195,000	149,764
Total Illinois		44,011,727
Washington – 10.4%		
Washington State University, Housing and Dining System Revenue Bonds, Taxable Build America Bonds[8]		
7.40% due 04/01/41[2]	6,675,000	9,716,264
7.10% due 04/01/32	3,325,000	4,432,657
Public Hospital District No. 1, King County, Washington, Valley Medical Center, Hospital Facilities Revenue Bonds		
8.00% due 06/15/40[2]	5,800,000	6,730,030
Washington State Convention Center Public Facilities District, Lodging Tax Bonds, Taxable Build America Bonds[8]		
6.79% due 07/01/40	5,000,000	6,640,450
Central Washington University, System Revenue Bonds, 2010, Taxable Build America Bonds[8]		
6.50% due 05/01/30[2]	5,000,000	6,184,800
City of Anacortes Washington Utility System Revenue Revenue Bonds		

6.48% due 12/01/30[2]	5,000,000	5,729,250

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1% (continued)		
Washington – 10.4% (continued)		
City of Auburn Washington Utility System Revenue Revenue Bonds		
6.40% due 12/01/30[2]	$ 2,000,000	$ 2,209,360
Total Washington		41,642,811
New Jersey – 6.5%		
New Jersey Turnpike Authority Revenue Bonds		
7.10% due 01/01/41	10,000,000	14,786,500
Camden County Improvement Authority, Camden County, New Jersey,		
Lease Revenue Bonds, Cooper Medical School of Rowan University Project		
7.75% due 07/01/34[2]	8,000,000	9,324,160
7.85% due 07/01/35[2]	2,000,000	2,331,120
Total New Jersey		26,441,780
New York – 6.5%		
Westchester County Health Care Corporation,		
Revenue Bonds, Taxable Build America Bonds[8]		
8.57% due 11/01/40[2]	10,000,000	13,703,400
Metropolitan Transportation Authority, New York, Transportation		
Revenue Bonds, Taxable Build America Bonds[8]		
6.55% due 11/15/31	5,000,000	6,694,900
7.13% due 11/15/30	5,000,000	6,040,700
Total New York		26,439,000
Pennsylvania – 6.3%		
School District of Philadelphia, Pennsylvania, General Obligation Bonds,		
Series 2011A, Qualified School Construction Bonds –		
(Federally Taxable – Direct Subsidy)		
6.00% due 09/01/30[2]	10,720,000	10,925,181
Pittsburgh, Pennsylvania, School District, Taxable Qualified School Construction Bonds		
6.85% due 09/01/29[2]	6,870,000	9,056,996
Lebanon, Pennsylvania, Sewer Revenue Bonds, Taxable Build America Bonds[8]		
7.14% due 12/15/35[2]	4,865,000	5,466,265
Total Pennsylvania		25,448,442
Texas – 6.2%		
Dallas, Texas, Convention Center Hotel Development Corporation,		
Hotel Revenue Bonds, Taxable Build America Bonds[8]		
7.09% due 01/01/42[2]	10,000,000	13,696,700
El Paso, Texas, Combination Tax and Revenue Certification of Obligation,		
Taxable Build America Bonds[8]		
6.70% due 08/15/36[2]	10,000,000	11,473,400
Total Texas		25,170,100

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS[†‡] 112.1% (continued)		
Indiana – 6.2%		
Noblesville Multi-School Building Corporation, Hamilton County, Indiana, Taxable Unlimited Ad Valorem Property Tax First Mortgage Bonds, Build America Bonds[8]		
6.50% due 07/15/30	$10,000,000	$ 11,776,100
Evansville-Vanderburgh Independent School Building Corporation, Unlimited Taxable Ad Valorem Property Tax First Mortgage Bonds		
6.50% due 01/15/30[2]	8,690,000	10,147,748
Knox County, Indiana, Good Samaritan Hospital Project, Taxable Economic Development Revenue Bonds, Qualified Energy Conservation Bonds – Direct Payment, Series 2012B		
5.90% due 04/01/34[2]	2,920,000	3,210,569
Total Indiana		25,134,417
Michigan – 5.7%		
Detroit, Michigan, School District, School Building and Site Bonds, Unlimited Tax General Obligation Bonds, Taxable Build America Bonds[,8]		
6.85% due 05/01/40[2]	5,000,000	5,221,300
Whitehall District Schools, Muskegon County, Michigan, 2010 School Building and Site Bonds, General Obligation, Unlimited Tax Bonds, Taxable Qualified School Construction Bonds		
6.10% due 05/01/26[2]	2,500,000	2,703,050
6.50% due 05/01/29[2]	2,000,000	2,153,240
Fraser Public School District, Macomb County, Michigan, General Obligation Federally Taxable School Construction Bonds, 2011 School Building and Site Bonds		
6.05% due 05/01/26[2]	3,000,000	3,369,510
Detroit City School District General Obligation Unlimited		
7.75% due 05/01/39[2]	2,640,000	3,310,348
Detroit, Michigan, School District, School Building and Site Bonds, Unlimited Tax General Obligation Bonds, Taxable Qualified School Construction Bonds		
6.65% due 05/01/29[2]	2,640,000	2,940,722
City of Detroit Michigan Water Supply System Revenue Revenue Bonds		
5.00% due 07/01/41	1,555,000	1,702,119
Oakridge, Michigan, Public Schools, Unlimited Tax General Obligation Bonds		
6.75% due 05/01/26[2]	1,000,000	1,127,150
Comstock Park Public Schools, Kent County, Michigan, 2011 School Building and Site Bonds, General Obligation – Unlimited Tax, Federally Taxable – Qualified School Construction Bonds – Direct Payment		
6.30% due 05/01/26[2]	415,000	465,589
Total Michigan		22,993,028

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1% (continued)		
Florida – 4.2%		
County of Miami-Dade Florida Transit System Revenue Bonds		
6.91% due 07/01/39[2]	$10,000,000	$ 11,299,900
Orlando, Florida, Community Redevelopment Agency, Taxable Tax Increment Revenue Build America Bonds[8]		
7.78% due 09/01/40[2]	5,000,000	5,919,350
Total Florida		17,219,250
West Virginia – 3.6%		
State of West Virginia, Higher Education Policy Commission, Revenue Bonds, Federally Taxable Build America Bonds 2010[8]		
7.65% due 04/01/40[2]	10,000,000	14,744,600
Ohio – 3.3%		
American Municipal Power, Inc., Combined Hydroelectric Projects Revenue Bonds, New Clean Renewable Energy Bonds		
7.33% due 02/15/28[2]	5,000,000	6,747,450
Madison Local School District, Richland County, Ohio, School Improvement, Taxable Qualified School Construction Bonds		
6.65% due 12/01/29[2]	2,500,000	2,919,750
Cuyahoga County, Ohio, Hospital Revenue Bonds, The Metrohealth System, Build America Bonds, Taxable[8]		
8.22% due 02/15/40[2]	1,950,000	2,478,314
Toronto City School District, Ohio, Qualified School Construction Bonds General Obligation Bonds		
7.00% due 12/01/28	1,230,000	1,339,851
Total Ohio		13,485,365
Colorado – 3.0%		
Colorado, Building Excellent Schools Today, Certificates of Participation, Taxable Build America Bonds[8]		
7.02% due 03/15/31[2]	7,500,000	8,876,625
Colorado, Building Excellent Schools Today, Certificates of Participation, Taxable Qualified School Construction		
6.82% due 03/15/28[2]	2,500,000	3,383,825
Total Colorado		12,260,450
Vermont – 2.7%		
Vermont State Colleges, Revenue Bonds, Taxable Build America Bonds[8]		
7.21% due 07/01/40[2]	7,500,000	8,484,075
6.10% due 07/01/25[2]	2,155,000	2,421,574
Total Vermont		10,905,649

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1% (continued)		
Alabama – 2.7%		
Alabama State University, General Tuition and Fee Revenue Bonds, Taxable Direct-Pay Build America Bonds[8]		
7.20% due 09/01/38[2]	$ 5,000,000	$ 5,424,800
7.10% due 09/01/35[2]	3,000,000	3,236,370
7.25% due 09/01/40[2]	2,000,000	2,184,100
Total Alabama		10,845,270
Nevada – 2.6%		
Nevada System of Higher Education University, Revenue Bonds, Build America Bonds[8]		
7.90% due 07/01/40	5,050,000	5,958,545
7.60% due 07/01/30	1,500,000	1,765,380
Clark County, Nevada, Airport Revenue Bonds, Build America Bonds[8]		
6.88% due 07/01/42[2]	1,425,000	1,596,656
Las Vegas Valley Water District, Nevada, Limited Tax General Obligation Water Bonds, Taxable Build America Bonds[8]		
7.10% due 06/01/39[2]	1,200,000	1,367,472
Total Nevada		10,688,053
Louisiana – 2.4%		
Orleans Parish, School Board of the Parish of Orleans, Louisiana		
4.40% due 02/01/21[2]	8,000,000	8,716,960
Tangipahoa Parish Hospital Service District No. 1, Louisiana, Taxable Hospital Revenue Bonds, North Oaks Health System Project, Build America Bonds[8]		
7.20% due 02/01/42[2]	1,055,000	1,125,833
Total Louisiana		9,842,793
Mississippi – 1.9%		
Medical Center Educational Building Corporation, Taxable Build America Bonds, University of Mississippi Medical Center Facilities Expansion and Renovation Project[8]		
6.84% due 06/01/35[2]	5,000,000	5,694,250
Mississippi, Hospital Equipment and Facilities Authority, Taxable Build America Revenue Bonds, Forrest County General Hospital Project[8]		
7.27% due 01/01/32	1,000,000	1,108,500
7.39% due 01/01/40[2]	905,000	999,048
Total Mississippi		7,801,798
South Carolina – 1.7%		
County of Horry South Carolina Airport Revenue Revenue Bonds		
7.33% due 07/01/40[2]	5,000,000	6,739,700
Georgia – 1.4%		
Georgia Municipal Association, Inc., Certificates of Participation, DeKalb County Public Schools Project		
5.21% due 12/01/22[2]	5,000,000	5,656,850

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
MUNICIPAL BONDS†‡ 112.1% (continued)		
South Dakota – 0.9%		
Pierre, South Dakota, Taxable Electric Revenue Bonds, Recovery Zone Economic Development Bonds		
7.50% due 12/15/40	$ 3,490,000	$ 3,756,462
Puerto Rico – 0.3%		
Puerto Rico Electric Power Authority Revenue Bonds		
5.25% due 07/01/32	1,000,000	1,027,360
0.94% due 07/01/29[4]	400,000	288,416
Total Puerto Rico		1,315,776
Total Municipal Bonds		
(Cost $380,927,954)		454,801,915
ASSET BACKED SECURITIES†‡ 10.6%		
Collateralized Loan Obligations – 9.1%		
Churchill Financial Cayman Ltd.		
2007-1A, 1.88% due 07/10/19[2,4,6]	2,000,000	1,956,322
2007-1A, 8.37% due 07/10/19[2,6]	1,000,000	1,003,957
2007-1A, 3.23% due 07/10/19[2,4,6]	1,000,000	985,139
OCP CLO Ltd.		
2012-2A, 6.35% due 11/22/23[4,6]	1,000,000	849,202
2014-6A, 5.58% due 07/17/26[4,6]	1,000,000	704,930
2015-9A, 4.33% due 07/15/27[4,6]	250,000	219,083
2014-6A, 4.28% due 07/17/26[4,6]	250,000	217,274
2013-4A, 5.64% due 10/24/25[4,6]	250,000	184,618
CIFC Funding Ltd.		
2014-1A, 5.88% due 04/18/25[4,6]	750,000	435,207
2014-1A, 3.70% due 08/14/24[4,6]	400,000	394,742
2013-2A, 5.23% due 04/21/25[4,6]	500,000	366,962
2014-2A, 3.51% due 05/24/26[4,6]	250,000	244,583
2007-1A, 2.13% due 05/10/21[4,6]	200,000	188,281
2013-2A, 4.23% due 04/21/25[4,6]	200,000	170,170
KVK CLO Ltd.		
2014-3A, 3.63% due 10/15/26[4,6]	1,000,000	890,762
2012-2A, 4.98% due 02/10/25[4,6]	750,000	709,006
KKR Financial CLO Ltd.		
2007-1A, 5.63% due 05/15/21[4,6]	750,000	747,558
2007-1A, 2.88% due 05/15/21[2,4,6]	500,000	496,880
Atlas Senior Loan Fund IV Ltd.		
2014-2A, 3.33% due 02/17/26[2,4,6]	1,000,000	966,879
Anchorage Capital CLO Ltd.		
2012-1A, 3.43% due 01/13/25[2,4,6]	1,000,000	963,130
Fortress Credit Investments IV Ltd.		
2015-4A, 4.13% due 07/17/23[4,6]	1,000,000	904,548
Ocean Trails CLO IV		

2013-4A, 6.53% due 08/13/25[4,6]	1,000,000	657,850
2013-4A, 3.63% due 08/13/25[4,6]	250,000	239,723

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
ASSET BACKED SECURITIES†† 10.6% (continued)		
Collateralized Loan Obligations – 9.1% (continued)		
Saranac CLO III Ltd.		
2014-3A, 4.27% due 06/22/25[4,6]	$ 1,000,000	$ 807,868
Dryden XXXI Senior Loan Fund		
2014-31A, 4.13% due 04/18/26[4,6]	900,000	794,971
Jamestown CLO VI Ltd.		
2015-6A, 5.89% due 02/20/27[4,6]	1,250,000	782,930
Catamaran CLO Ltd.		
2012-1A, 6.87% due 12/20/23[4,6]	1,250,000	734,450
THL Credit Wind River CLO Ltd.		
2014-2A, 3.83% due 07/15/26[4,6]	750,000	716,934
Longfellow Place CLO Ltd.		
2013-1A, 6.38% due 01/15/24[4,6]	750,000	581,808
Venture XX CLO Ltd.		
2015-20A, 6.93% due 04/15/27[4,6]	900,000	580,394
Avery		
2014-1X, 5.63% due 04/25/26[4]	1,000,000	554,107
Eastland CLO Ltd.		
2007-1A, 0.97% due 05/01/22[2,4,6]	550,000	521,343
North End CLO Limited		
2013-1A, 5.23% due 07/17/25[4,6]	750,000	509,324
Neuberger Berman CLO XV		
2013-15A, 3.48% due 10/15/25[4,6]	500,000	495,008
ALM VII R Ltd.		
2013-7RA, 4.09% due 04/24/24[4,6]	250,000	238,462
2013-7R2A, 4.09% due 04/24/24[4,6]	250,000	238,460
Marathon CLO VII Ltd.		
2014-7A, 4.13% due 10/28/25[4,6]	500,000	473,809
Shackleton I CLO Ltd.		
2012-1A, 5.38% due 08/14/23[4,6]	500,000	473,544
COA Summit CLO Limited		
2014-1A, 3.43% due 04/20/23[4,6]	500,000	471,827
Silver Spring CLO Ltd.		
2014-1A, 3.63% due 10/15/26[4,6]	500,000	428,807
Octagon Investment Partners XVII Ltd.		
2013-1A, 5.79% due 10/25/25[4,6]	750,000	427,971
Galaxy XVI CLO Ltd.		
2013-16A, 3.98% due 11/16/25[4,6]	500,000	419,496
MCF CLO I LLC		
2013-1A, 6.38% due 04/20/23[4,6]	500,000	415,959
OHA Credit Partners VIII Ltd.		
2013-8A, 4.13% due 04/20/25[4,6]	250,000	210,863
2013-8A, 5.03% due 04/20/25[4,6]	275,000	200,118

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
ASSET BACKED SECURITIES†† 10.6% (continued)		
Collateralized Loan Obligations – 9.1% (continued)		
Saranac CLO II Ltd.		
2014-2A, 4.29% due 02/20/25[4,6]	$ 500,000	$ 406,141
TICP CLO II Ltd.		
2014-2A, 3.63% due 07/20/26[4,6]	400,000	390,127
Ocean Trails CLO V		
2014-5A, 5.98% due 10/13/26[4,6]	500,000	381,199
Gramercy Park CLO Ltd.		
2014-1A, 4.68% due 07/17/23[2,4,6]	250,000	240,583
2012-1A, 07/17/23[5,6]	250,000	125,468
WhiteHorse X Ltd.		
2015-10A, 5.93% due 04/17/27[4,6]	500,000	359,430
NewMark Capital Funding CLO Ltd.		
2014-2A, 5.43% due 06/30/26[4,6]	500,000	340,076
Cratos CLO Ltd.		
2007-1A, 1.73% due 05/19/21[2,4,6]	300,000	292,563
Venture XII CLO Ltd.		
2013-12A, 4.17% due 02/28/24[4,6]	250,000	250,207
Regatta V Funding Ltd.		
2014-1A, 3.79% due 10/25/26[4,6]	250,000	250,031
DIVCORE CLO Ltd.		
2013-1A, 4.33% due 11/15/32[2,4,6]	250,000	247,244
Cerberus Onshore II CLO LLC		
2014-1A, 4.63% due 10/15/23[4,6]	250,000	246,008
Black Diamond CLO Delaware Corp.		
2005-2A, 2.43% due 01/07/18[4,6]	250,000	245,450
Blue Hill CLO Ltd.		
2013-1A, 3.63% due 01/15/26[4,6]	250,000	245,354
Race Point V CLO Ltd.		
2014-5A, 4.38% due 12/15/22[4,6]	250,000	244,257
Greywolf CLO III Ltd.		
2014-1A, 3.49% due 04/22/26[4,6]	250,000	243,303
Oaktree EIF II Series Ltd.		
2014-A2, 3.83% due 11/15/25[4,6]	250,000	242,480
AMMC CLO XIII Ltd.		
2013-13A, 6.39% due 01/26/26[4,6]	400,000	241,513
Battalion CLO Ltd.		
2007-1A, 2.78% due 07/14/22[4,6]	250,000	240,261
Monroe Capital CLO 2014-1 Ltd.		
2014-1A, 4.19% due 10/22/26[4,6]	250,000	239,815
NewStar Arlington Senior Loan Program LLC		
2014-1A, 3.94% due 07/25/25[4,6]	250,000	236,438

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
ASSET BACKED SECURITIES[†‡] 10.6% (continued)		
Collateralized Loan Obligations – 9.1% (continued)		
Black Diamond CLO Ltd.		
2014-1A, 3.48% due 02/06/26[4,6]	$ 250,000	$ 234,971
Rockwall CDO Ltd.		
2007-1A A1LB, 1.19% due 08/01/24[4,6]	250,000	234,714
GoldenTree Loan Opportunities III Ltd.		
2007-3A, 3.84% due 05/01/22[4,6]	250,000	233,561
Mountain Hawk I CLO Ltd.		
2013-1A, 3.35% due 01/20/24[4,6]	250,000	233,526
Golub Capital Partners CLO 21M Ltd.		
2014-21A, 3.94% due 10/25/26[4,6]	250,000	232,790
WhiteHorse VIII Ltd.		
2014-1A, 3.39% due 05/01/26[4,6]	250,000	231,956
Fortress Credit Opportunities V CLO Ltd.		
2014-5A, 4.18% due 10/15/26[4,6]	250,000	231,581
Newstar Commercial Loan Funding LLC		
2013-1A, 5.17% due 09/20/23[4,6]	250,000	219,040
Golub Capital Partners CLO 18 Ltd.		
2014-18A, 4.64% due 04/25/26[2,4,6]	250,000	213,959
Octagon Investment Partners XXI Ltd.		
2014-1A, 7.23% due 11/14/26[4,6]	250,000	212,238
TICP CLO I Ltd.		
2014-1A, 5.14% due 04/26/26[4,6]	300,000	209,376
Octagon Investment Partners XV Ltd.		
2013-1A, 5.38% due 01/19/25[4,6]	250,000	199,328
Regatta Funding Ltd.		
2007-1X, 3.93% due 06/15/20[4]	200,000	194,021
KVK CLO 2013-2 Ltd.		
2013-2A, 4.28% due 01/15/26[4,6]	250,000	193,198
Staniford Street CLO Ltd.		
2014-1A, 4.13% due 06/15/25[4,6]	250,000	192,972
Octagon Investment Partners XX Ltd.		
2014-1A, 5.88% due 08/12/26[4,6]	250,000	192,423
Gallatin CLO VII Ltd.		
2014-1A, 4.39% due 07/15/23[2,4,6]	200,000	187,700
Pinnacle Park CLO Ltd.		
2014-1A, 6.18% due 04/15/26[4,6]	300,000	176,710
Mountain Hawk II CLO Ltd.		
2013-2A, 3.78% due 07/22/24[4,6]	250,000	175,647
Jamestown CLO III Ltd.		
2013-3A, 5.23% due 01/15/26[4,6]	250,000	165,489
Octagon Investment Partners XXII Ltd.		
2014-1A, 6.94% due 11/25/25[4,6]	250,000	162,769

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
ASSET BACKED SECURITIES†† 10.6% (continued)		
Collateralized Loan Obligations – 9.1% (continued)		
Octagon Investment Partners XIV Ltd.		
2012-1A, 7.13% due 01/15/24[4,6]	$ 250,000	$ 161,921
AIMCO CLO		
2014-AA, 5.88% due 07/20/26[4,6]	250,000	146,936
Carlyle Global Market Strategies CLO Ltd.		
2012-3A, 10/04/24[2,5,6]	250,000	139,905
Ares XXVI CLO Ltd.		
2013-1A, 04/15/25[2,5,6]	250,000	115,763
Atlas Senior Loan Fund II Ltd.		
2012-2A, 01/30/24[2,5,6]	250,000	115,155
Great Lakes CLO Ltd.		
2012-1A, 01/15/23[2,5,6]	250,000	104,935
Finn Square CLO Ltd.		
2012-1A, 12/24/23[5,6]	250,000	104,426
Ares XXV CLO Ltd.		
2013-3A, 01/17/24[2,5,6]	250,000	98,117
West CLO Ltd.		
2013-1A, 11/07/25[5,6]	250,000	65,786
BlackRock Senior Income Series Corp.		
2004-1A,09/15/16[†††,1,2,5,6]	99,289	–
Total Collateralized Loan Obligations		36,664,120
Collateralized Debt Obligations – 1.5%		
Gramercy Real Estate CDO Ltd.		
2007-1A, 0.91% due 08/15/56[4,6]	1,665,644	1,529,257
N-Star REL CDO VIII Ltd.		
2006-8A, 0.82% due 02/01/41[2,4,6]	1,500,000	1,409,655
FDF I Ltd.		
2015-1A, 7.50% due 11/12/30[6]	1,000,000	999,482
Putnam Structured Product Funding		
2008-1A, 0.88% due 10/15/38[2,4,6]	599,195	595,762
SRERS Funding Ltd.		
2011-RS A1B1, 0.69% due 05/09/46[4,5,6]	250,000	483,396
Putnam Structured Product CDO Ltd.		
2002-1A, 1.12% due 01/10/38[2,4,6]	355,254	342,459
Wrightwood Capital Real Estate CDO Ltd.		
2005-1A, 1.08% due 11/21/40[4,6]	250,000	237,770
Highland Park CDO I Ltd.		
2006-1A, 1.06% due 11/25/51[4,6]	226,642	217,905
Pasadena CDO Ltd.		
2002-1A, 1.47% due 06/19/37[4,6]	213,793	209,129
Diversified Asset Securitization Holdings II, LP		
2000-1X, 1.12% due 09/15/35[4]	15,176	14,994
Total Collateralized Debt Obligations		6,039,809

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
ASSET BACKED SECURITIES[††] 10.6% (continued)		
Transportation – 0.0%[**]		
Raspro Trust		
2005-1A, 1.02% due 03/23/24[2,4,6]	$ 57,148	$ 55,148
Bush Truck Leasing LLC		
2011-AA, 5.00% due 09/25/18[2,9]	9,774	9,702
Total Transportation		64,850
Credit Cards – 0.0%[**]		
Credit Card Pass-Through Trust		
2012-BIZ, 0.00% due 12/15/49[2,6]	65,457	51,286
Total Asset Backed Securities		
(Cost $42,816,848)		42,820,065
SENIOR FLOATING RATE INTERESTS[††,4] 5.3%		
Technology – 2.2%		
EIG Investors Corp.		
6.00% due 02/09/23	5,034,828	4,694,977
Greenway Medical Technologies		
6.00% due 11/04/20	735,375	700,445
TIBCO Software, Inc.		
6.50% due 12/04/20	691,250	629,038
Avaya, Inc.		
6.25% due 05/29/20	815,656	594,205
Advanced Computer Software		
6.50% due 03/18/22	493,750	471,531
Aspect Software, Inc.		
10.50% 05/25/20	446,158	439,466
GlobalLogic Holdings, Inc.		
6.25% due 05/31/19	342,125	337,849
Sabre, Inc.		
4.00% due 02/19/19	291,240	291,665
First Data Corp.		
4.43% due 03/24/21	282,549	283,727
Micron Technology, Inc.		
6.46% due 04/26/22	250,000	252,125
Quorum Business Solutions		
5.75% due 08/07/21	216,836	213,584
Wall Street Systems		
4.50% due 04/30/21	89,008	88,785
Total Technology		8,997,397

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
SENIOR FLOATING RATE INTERESTS[††,4] 5.3% (continued)		
Industrial – 1.2%		
NVA Holdings, Inc.		
4.75% due 08/14/21	$ 1,091,018	$ 1,090,299
Transdigm, Inc.		
3.75% due 06/04/21	491,250	490,882
Springs Industries, Inc.		
7.50% due 06/01/21[†††,1]	500,000	488,627
LSF9 Cypress		
7.25% due 10/09/22	498,750	483,788
NaNa Development Corp.		
8.00% due 03/15/18	400,000	368,000
Hunter Defense Technologies		
8.00% due 08/04/19	375,000	300,000
Prolamina		
5.75% due 08/18/22	299,176	299,364
Data Device Corp.		
7.00% due 07/15/20	290,306	288,129
Quanex Building Products Corp.		
5.00% due 11/01/22	249,375	250,622
Amber Bidco Foster + Partners		
4.28% due 06/30/21[†††,1]	250,000	246,345
SIRVA Worldwide, Inc.		
7.50% due 03/27/19	237,282	224,824
SI Organization		
5.75% due 11/22/19	172,394	171,532
Hunter Fan Co.		
6.50% due 12/20/17	74,646	74,087
Total Industrial		4,776,499
Consumer, Cyclical – 0.6%		
Ceridian Corp.		
4.50% due 09/15/20	710,669	686,386
LA Fitness International LLC		
5.50% due 07/01/20	482,011	478,097
Neiman Marcus Group, Inc.		
4.25% due 10/25/20	244,987	224,367
BJ’s Wholesale Club, Inc.		
4.50% due 09/26/19	196,652	195,668
Sears Holdings Corp.		
5.50% due 06/30/18	199,234	189,272
Minimax Viking		
4.00% due 08/14/20	148,504	148,226
Life Time Fitness		
4.25% due 06/10/22	99,749	99,250

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
SENIOR FLOATING RATE INTERESTS††,4 5.3% (continued)		
Consumer, Cyclical – 0.6% (continued)		
Navistar, Inc.		
6.50% due 08/07/20	$ 99,500	$ 93,966
J. Crew Group, Inc.		
4.00% due 03/05/21	98,246	72,892
Container Store, Inc.		
4.25% due 04/06/19	79,000	71,100
Total Consumer, Cyclical		2,259,224
Consumer, Non-cyclical – 0.5%		
Albertson's (Safeway) Holdings LLC		
5.50% due 08/25/21	792,000	791,754
5.50% due 12/21/22	464,740	464,935
American Seafoods Group LLC / American Seafoods Finance, Inc.		
6.00% due 08/19/21	493,750	480,172
American Tire Distributors, Inc.		
5.25% due 09/24/21	294,866	286,298
Targus Group International, Inc.		
15.00% due 12/31/19†††,1,10	76,008	111,549
13.75% due 06/07/16†††,1	213,346	–
ABG Intermediate Holdings 2 LLC		
5.50% due 05/27/21	98,002	97,022
Total Consumer, Non-cyclical		2,231,730
Financial – 0.5%		
Magic Newco, LLC		
5.00% due 12/12/18	962,533	966,382
12.00% due 06/12/19	100,000	104,500
Safe-Guard		
6.25% due 08/19/21	493,857	464,226
Integro Parent, Inc.		
6.75% due 10/08/22	233,674	222,574
6.75% due 10/31/22	12,731	12,127
6.76% due 10/31/22	3,009	2,866
Expert Global Solutions		
8.50% due 04/03/18	100,000	99,750
Cunningham Lindsey U.S., Inc.		
9.25% due 06/10/20	155,909	80,033
Expert Global Solutions, Inc.		
8.50% due 04/03/18	2,371	2,366
Total Financial		1,954,824

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
SENIOR FLOATING RATE INTERESTS[††,4] 5.3% (continued)		
Communications – 0.3%		
Cengage Learning Acquisitions, Inc.		
7.00% due 03/31/20	$ 989,411	$ 987,818
Univision Communications, Inc.		
4.00% due 03/01/20	98,171	98,048
Total Communications		1,085,866
Energy – 0.0%[**]		
PSS Companies		
5.50% due 01/28/20	195,922	127,349
Jonah Energy LLC		
7.50% due 05/12/21	100,000	77,250
Total Energy		204,599
Total Senior Floating Rate Interests		
(Cost $22,087,828)		21,510,139
CORPORATE BONDS[††] 4.8%		
Energy – 1.5%		
EQT Corp.		
8.13% due 06/01/19[2]	1,200,000	1,309,853
4.88% due 11/15/21[2]	250,000	253,459
Antero Resources Corp.		
5.63% due 06/01/23[2]	600,000	585,000
6.00% due 12/01/20[2]	305,000	302,713
5.38% due 11/01/21[2]	100,000	97,500
Comstock Resources, Inc.		
10.00% due 03/15/20[6]	1,100,000	808,499
Hess Corp.		
8.13% due 02/15/19[2]	650,000	721,869
Husky Energy, Inc.		
3.95% due 04/15/22[2]	250,000	252,583
4.00% due 04/15/24[2]	195,000	193,887
Sabine Pass Liquefaction LLC		
5.63% due 02/01/21	300,000	306,375
Approach Resources, Inc.		
7.00% due 06/15/21[2]	500,000	285,000
Halcon Resources Corp.		
8.63% due 02/01/20[6]	300,000	283,125
Buckeye Partners, LP		
4.35% due 10/15/24	250,000	236,984
Summit Midstream Holdings LLC / Summit Midstream Finance Corp.		
7.50% due 07/01/21	200,000	185,500
SandRidge Energy, Inc.		
8.75% due 06/01/20[6,10]	450,000	177,750

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
CORPORATE BONDS†‡ 4.8% (continued)		
Energy – 1.5% (continued)		
DCP Midstream LLC		
5.35% due 03/15/20[6]	$ 100,000	$ 96,263
Schahin II Finance Company SPV Ltd.		
5.88% due 09/25/22[9,10]	651,500	84,695
FTS International, Inc.		
8.13% due 06/15/20[4,6]	100,000	83,929
Total Energy		6,264,984
Communications – 1.0%		
Sprint Communications, Inc.		
7.00% due 03/01/20[6]	900,000	928,791
9.00% due 11/15/18[6]	150,000	159,563
DISH DBS Corp.		
5.88% due 11/15/24	1,050,000	971,786
T-Mobile USA, Inc.		
6.00% due 04/15/24[2]	500,000	521,049
MDC Partners, Inc.		
6.50% due 05/01/24[6]	500,000	483,750
Sprint Corp.		
7.25% due 09/15/21	500,000	405,000
Avaya, Inc.		
7.00% due 04/01/19[6]	150,000	108,750
Zayo Group LLC / Zayo Capital, Inc.		
6.38% due 05/15/25	100,000	104,000
McGraw-Hill Global Education Holdings LLC / McGraw-Hill Global Education Finance		
7.88% due 05/15/24[6]	100,000	104,000
CSC Holdings LLC		
5.25% due 06/01/24	100,000	90,000
Total Communications		3,876,689
Basic Materials – 0.9%		
Yamana Gold, Inc.		
4.95% due 07/15/24[2]	3,150,000	2,976,750
GCP Applied Technologies, Inc.		
9.50% due 02/01/23[6]	500,000	555,000
Mirabela Nickel Ltd.		
2.37% due 06/24/19†††,1	91,950	22,988
1.00% due 09/10/44†††,1	1,918	–
TPC Group, Inc.		
8.75% due 12/15/20[6]	8,000	6,160
Total Basic Materials		3,560,898

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
CORPORATE BONDS[††] 4.8% (continued)		
Consumer, Non-cyclical – 0.6%		
Tufts Medical Center, Inc.		
7.00% due 01/01/38	$ 1,500,000	$ 1,752,864
WEX, Inc.		
4.75% due 02/01/23[6]	250,000	230,000
ADT Corp.		
6.25% due 10/15/21[2]	200,000	209,500
Bumble Bee Holdings, Inc.		
9.00% due 12/15/17[6]	100,000	101,250
KeHE Distributors LLC / KeHE Finance Corp.		
7.63% due 08/15/21[6]	100,000	98,000
Total Consumer, Non-cyclical		2,391,614
Industrial – 0.3%		
Dynagas LNG Partners Limited Partnership / Dynagas Finance, Inc.		
6.25% due 10/30/19	800,000	688,000
Novelis, Inc.		
8.75% due 12/15/20	200,000	207,500
8.38% due 12/15/17	100,000	102,250
Reynolds Group Issuer Incorporated / Reynolds Group Issuer LLC / Reynolds Group Issuer		
7.88% due 08/15/19	200,000	205,750
CEVA Group plc		
7.00% due 03/01/21[6]	115,000	104,363
Total Industrial		1,307,863
Financial – 0.2%		
Columbia Property Trust Operating Partnership LP		
5.88% due 04/01/18[2]	750,000	793,379
Jefferies Finance LLC / JFIN Company-Issuer Corp.		
7.38% due 04/01/20[6]	125,000	117,500
Total Financial		910,879
Technology – 0.2%		
Micron Technology, Inc.		
7.50% due 09/15/23[6]	550,000	577,500
Infor US, Inc.		
6.50% due 05/15/22	200,000	183,500
Aspect Software, Inc.		
3.00% due 05/25/23[†††,1,6,11]	62,284	62,284
Total Technology		823,284

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

	Face Amount	Value
CORPORATE BONDS†† 4.8% (continued)		
Consumer, Cyclical – 0.1%		
WMG Acquisition Corp.		
6.75% due 04/15/22[6]	$ 200,000	$ 198,750
PF Chang's China Bistro, Inc.		
10.25% due 06/30/20[2,6]	125,000	116,250
Total Consumer, Cyclical		315,000
Total Corporate Bonds		
(Cost $18,805,582)		19,451,211
COLLATERALIZED MORTGAGE OBLIGATIONS†† 0.5%		
Residential Mortgage Backed Securities – 0.5%		
LSTAR Securities Investment Trust		
2015-4 A1, 2.44% due 04/01/20[4,6]	946,665	922,997
2015-10 A1, 2.44% due 11/01/20[4,6]	227,155	221,476
2015-1, 2.44% due 01/01/20[4,6]	223,043	217,667
2015-2, 2.44% due 01/01/20[4,6]	218,667	215,387
Nomura Resecuritization Trust		
2012-1R, 0.88% due 08/27/47[2,4,6]	348,229	332,559
Banc of America Funding Ltd.		
2013-R1 A5, 0.66% due 11/03/41[4,6]	148,354	134,978
Total Mortgage Backed Securities		
(Cost $2,057,896)		2,045,064
Total Investments – 134.7%		
(Cost $472,771,666)		$ 546,616,661
Other Assets & Liabilities, net – (34.7)%		(140,796,486)
Total Net Assets – 100.0%		$ 405,820,175

* Non-income producing security.
** Less than 0.1%
† Value determined based on Level 1 inputs, unless otherwise noted — See Note 4.
†† Value determined based on Level 2 inputs, unless otherwise noted — See Note 4.
††† Value determined based on Level 3 inputs — See Note 4.
1 Security was fair valued by the Valuation Committee at May 31, 2016. The total market value of fair valued securities amounts to $1,138,836, (cost $1,739,645) or 0.3% of total net assets.
2 All or a portion of these securities have been physically segregated or earmarked in connection with borrowings, reverse repurchase agreements and unfunded loan commitments. As of May 31, 2016, the total market value of the segregated or earmarked securities was $286,623,855.
3 Perpetual maturity.
4 Variable rate security. Rate indicated is rate effective at May 31, 2016.
5 Security has no stated coupon. However, it is expected to receive residual cashflow payments on deal defined payment dates.
6 Security is a 144A or Section 4(a)(2) security. The total market value of 144A or Section 4(a)(2) securities is $49,493,782 (cost $49,666,212), or 12.2% of total net assets. These securities have been determined to be liquid under guidelines established by the Board of Trustees.

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

7 Rate indicated is the 7-day yield as of May 31, 2016.
8 Taxable municipal bond issued as part of the Build America Bond program.
9 Security is a 144A or Section 4(a)(2) security. These securities are considered illiquid and restricted under guidelines established by the Board of Trustees. The total market value of 144A or Section 4(a)(2) securities is $94,397 (cost $526,141), or less than 0.1% of total net assets — See Note 12.
10 Security is in default of interest and/or principal obligations.
11 Payment-in-kind security.

plc Public Limited Company

See Sector Classification in Supplemental Information section.
The following table summarizes inputs used to value the Trust's investments at May 31, 2016 (See Note 4 in the Notes to Financial Statements):

Description	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Assets:				
Common Stocks	$—	$71,733	$ 207,043	$278,776
Preferred Stocks	—	5,060,000	—*	5,060,000
Short Term Investments	649,491	—	—	649,491
Municipal Bonds	—	454,801,915	—	454,801,915
Asset Backed Securities	—	42,820,065	—*	42,820,065
Senior Floating Rate Interests	—	20,663,618	846,521	21,510,139
Corporate Bonds	—	19,365,939	85,272	19,451,211
Collateralized Mortgage Obligations	—	2,045,064	—	2,045,064
Total Assets	$649,491	$544,828,334	$ 1,138,836	$546,616,661
Liabilities:				
Swap Agreements	$—	$1,206,831**	$ —	$1,206,831
Unfunded Loan Commitments	—	301,224	—	301,224
Total Liabilities	$—	$1,508,055	$ —	$1,508,055

* Market value is less than $1.
** Represents the unrealized gain/loss at period end.

If not referenced in the table, please refer to the Portfolio of Investments for a breakdown of investment type by industry category.

See notes to financial statements.

PORTFOLIO OF INVESTMENTS continued May 31, 2016

The following is a summary of the significant unobservable input used in the fair valuation of assets and liabilities categorized within the Level 3 of the fair value hierarchy:

Category	Ending Balance at 5/31/2016	Valuation Technique	Unobservable Inputs	Input Range
Senior Floating Rate Interests	$846,521	Enterprise Value	Valuation Multiple	4.9x-10.5x
Common Stocks	207,019	Enterprise Value	Valuation Multiple	4.9x-7.2x
Common Stocks	24	Model Price	Liquidation Value	—
Corporate Bonds	62,284	Enterprise Value	Valuation Multiple	7.2x
Corporate Bonds	22,988	Model Price	Liquidation Value	—

Significant changes in valuation multiples or liquidation values would generally result in significant changes in the fair value of the security.
Any remaining Level 3 securities held by the Trust and excluded from the table above were not considered material to the Trust.
Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. Transfers between valuation levels, if any, are in comparison to the valuation levels at the end of the previous fiscal year, and are effective using the fair value as of the end of the current fiscal period.
The transfers in and out of the valuation levels as of May 31, 2016 compared to the valuation levels at the end of the previous fiscal year are detailed below:

Transfer from Level 1 to Level 2	$5,060,000
Transfer from Level 1 to Level 3	24
Transfer from Level 3 to Level 2	51,286
Totals	$5,111,310

The transfers from Level 1 to Level 2 and from Level 1 to Level 3 are the result of a lack of an active market. The transfer from Level 3 to Level 2 is due to the availability of market price information at the period end.
Summary of Fair Value of Level 3 Activity
Following is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value for the year ended May 31, 2016:

LEVEL 3 – Fair Value measurement using significant unobservable inputs

	Asset Backed Securities	Senior Floating Rate Interests	Corporate Bonds	Common Stocks	Total
Assets:					
Beginning Balance	$92,811	$740,663	$83,800	$—	$917,274
Paydowns Received	(40,943)	(500,000)	—	—	(540,943)
Realized Gain/(Loss)	1,705	9,950	—	—	11,655
Change in Unrealized Gain/(Loss)	(21,535)	19,870	(69,731)	2,229	(69,167)
Purchases	—	487,500	62,284	—	549,784
Sales	—	—	—	—	—
Accrued discounts/(premiums)	19,248	(6,567)	2,451	—	15,132

Corporate Actions	—	95,105	6,468	204,790	306,363
Transfers into Level 3	—	—	—	24	24
Transfers out of Level 3	(51,286)	—	—	—	(51,286)
Ending Balance	$—	$846,521	$85,272	$207,043	$1,138,836
Net change in unrealized appreciation (depreciation) for investments in securities still held at May 31, 2016	$711	$18,341	$(67,280)	$2,229	$45,999

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES	May 31, 2016
ASSETS:	
Investments, at value (cost $472,771,666)	$546,616,661
Restricted cash	1,901,725
Cash	39,905
Receivables:	
Interest	8,841,653
Investments sold	2,045,771
Other assets	877
Total assets	559,446,592
LIABILITIES:	
Reverse repurchase agreements	89,686,030
Borrowings	61,709,544
Unrealized depreciation on swap agreements	1,206,831
Unfunded loan commitments, at value (Note 11) (Commitment fees received $309,375)	301,224
Interest due on borrowings	56,166
Payable for:	
Investment advisory fees	284,340
Investments purchased	200,178
Fund accounting fees	20,855
Administration fees	10,490
Trustees' fees and expenses*	6,157
Other liabilities	144,602
Total liabilities	153,626,417
NET ASSETS	$405,820,175
NET ASSETS CONSIST OF:	
Common shares, $0.01 par value per share; unlimited number of shares authorized, 17,416,307 shares issued and outstanding	$174,163
Additional paid-in capital	330,942,521
Undistributed net investment income	954,035
Accumulated net realized gain on investments	1,103,141
Net unrealized appreciation on investments	72,646,315
NET ASSETS	$405,820,175
Net asset value	$23.30

* Relates to Trustees not deemed "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act.

See notes to financial statements.

STATEMENT OF OPERATIONS May 31, 2016
For the Year Ended May 31, 2016

INVESTMENT INCOME:	
Interest	$30,787,127
Dividends	483,014
Total investment income	31,270,141
EXPENSES:	
Investment advisory fees	3,171,132
Interest expense	1,580,768
Professional fees	154,301
Trustees' fees and expenses*	129,172
Administration fees	119,342
Fund accounting fees	117,675
Excise tax expense	86,760
Printing fees	58,844
Custodian fees	23,430
Registration and filings	22,479
Insurance	20,558
Transfer agent fees	20,359
Miscellaneous	1,557
Total expenses	5,506,377
Net investment income	25,763,764
NET REALIZED AND UNREALIZED GAIN (LOSS):	
Net realized gain (loss) on:	
Investments	387,220
Foreign currency transactions	3,705
Swap agreements	(995,686)
Net realized loss	(604,761)
Net change in unrealized appreciation (depreciation) on:	
Investments	3,561,307
Foreign currency translations	(1,683)
Swap agreements	(753,707)
Net change in unrealized appreciation (depreciation)	2,805,917
Net realized and unrealized gain	2,201,156
Net increase in net assets resulting from operations	$27,964,920

* Relates to Trustees not deemed "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act.

See notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS May 31, 2016

	Year Ended May 31, 2016	Year Ended May 31, 2015
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:		
Net investment income	$25,763,764	$25,747,471
Net realized gain (loss) on investments	(604,761)	2,000,779
Net change in unrealized appreciation (depreciation) on investments	2,805,917	2,753,128
Net increase in net assets resulting from operations	27,964,920	30,501,378
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(28,517,701)	(25,757,274)
Capital gains	(355,413)	(3,115,294)
Total distributions to shareholders	(28,873,114)	(28,872,568)
SHAREHOLDER TRANSACTIONS:		
Distributions reinvested	60,664	—
Net increase (decrease) in net assets	(847,530)	1,628,810
NET ASSETS:		
Beginning of period	406,667,705	405,038,895
End of period	$405,820,175	$406,667,705
Undistributed net investment income at end of period	$954,035	$4,387,481

See notes to financial statements.

STATEMENT OF CASH FLOWS May 31, 2016
For the Year Ended May 31, 2016

Cash Flows from Operating Activities:	
Net Increase in net assets resulting from operations	$27,964,920
Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to Net Cash Provided by Operating and Investing Activities:	
Net change in unrealized appreciation on investments	(3,561,307)
Net change in unrealized depreciation on foreign currency translations	1,683
Net change in unrealized depreciation on swap agreements	753,707
Net realized gain on investments	(387,220)
Net accretion of bond discount and amortization of bond premium	(966,170)
Purchase of long-term investments	(63,478,694)
Proceeds from sale of long-term investments	35,744,695
Paydowns received on mortgage and asset backed securities	8,558,742
Net proceeds of short-term investments	217,342
Corporate actions and other payments	35,965
Increase in interest receivable	(154,149)
Increase in investments sold receivable	(1,548,422)
Decrease in other assets	3,177
Increase in investments purchased payable	100,965
Increase in investment advisory fees payable	15,090
Commitment fees received on unfunded commitments	309,375
Increase in interest payable on borrowings	14,072
Increase in administration fees payable	368
Decrease in fund accounting fees payable	(4,444)
Increase in trustees' fees and expenses payable	4,097
Decrease in other liabilities	(69,106)
Net Cash Provided by Operating and Investing Activities	3,554,686
Cash Flows From Financing Activities:	
Distributions to common shareholders	(28,812,450)
Proceeds from reverse repurchase agreements	144,236,205
Payments made on reverse repurchase agreements	(144,752,592)
Proceeds from borrowings	41,200,000
Payments made on borrowings	(15,000,000)
Net Cash Used in Financing Activities	(3,128,837)
Net increase in cash	425,849
Cash at Beginning of Period (including restricted cash)	1,515,781
Cash at End of Period (including restricted cash)	1,941,630
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the period for interest	$1,572,064
Supplemental Disclosure of Non Cash Financing Activity: Dividend reinvestment	$60,664
Supplemental Disclosure of Non Cash Operating Activity:	
Additional principle received on payment-in-kind bonds	$12,443

See notes to financial statements.

FINANCIAL HIGHLIGHTS May 31, 2016

	Year Ended May 31, 2016	Year Ended May 31, 2015	Year Ended May 31, 2014	Year Ended May 31, 2013	Year Ended May 31, 2012
Per Share Data:					
Net asset value, beginning of period	$ 23.35	$ 23.26	$ 23.61	$ 23.49	$ 20.65
Income from investment operations:					
Net investment income[(a)]	1.48	1.48	1.63	1.65	1.59
Net gain (loss) on investments (realized and unrealized)	0.13	0.27	(0.32)	0.07	2.74
Total from investment operations	1.61	1.75	1.31	1.72	4.33
Less distributions from:					
Net investment income	(1.64)	(1.48)	(1.60)	(1.60)	(1.49)
Capital gains	(0.02)	(0.18)	(0.06)	—	—
Total distributions to shareholders	(1.66)	(1.66)	(1.66)	(1.60)	(1.49)
Net asset value, end of period	$ 23.30	$ 23.35	$ 23.26	$ 23.61	$ 23.49
Market value, end of period	$ 22.28	$ 21.64	$ 21.69	$ 22.70	$ 22.46
Total Return[(b)]					
Net asset value	7.25%	7.64%	6.15%	7.48%	21.64%
Market value	10.95%	7.52%	3.54%	8.27%	23.35%
Ratios/Supplemental Data:					
Net assets, end of period (in thousands)	$ 405,820	$ 406,668	$ 405,039	$ 411,135	$ 408,960
Ratio to average net assets of:					
Total expenses, including interest expense[(c)]	1.38%	1.32%	1.35%	1.38%	1.36%
Net investment income, including interest expense	6.47%	6.26%	7.37%	6.99%	7.33%
Portfolio turnover rate	7%	11%	10%	12%	7%
Senior Indebtness					
Total Borrowings outstanding (in thousands)	$ 151,396	$ 125,712	$ 119,887	$ 129,992	$ 125,542
Asset Coverage per $1,000 of indebtedness[(d)]	$ 3,681	$ 4,235	$ 4,379	$ 4,163	$ 4,258

(a) Based on average shares outstanding.
(b) Total return is calculated assuming a purchase of a common share at the beginning of the period and a sale on the last day of the period reported either at net asset value (“NAV”)
or market price per share. Dividends and distributions are assumed to be reinvested at NAV for NAV returns or the prices obtained under the Trust’s Dividend Reinvestment
Plan for market value returns. Total investment return does not reflect brokerage commissions. A return calculated for a period of less than one year is not annualized.

See notes to financial statements.

FINANCIAL HIGHLIGHTS continued
May 31, 2016

(c) Excluding interest expense, the operating expense ratio for the years ended May 31 would be:

2016	2015	2014	2013	2012
0.99%	1.02%	1.02%	1.02%	1.04%

(d) Calculated by subtracting the Trust’s total liabilities (not including borrowings) from the Trust’s total asset and dividing by the total borrowings.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS May 31, 2016

Note 1 – Organization:
Guggenheim Build America Bonds Managed Duration Trust (the "Trust") was organized as a Delaware statutory trust on June 30, 2010. The Trust is registered as a diversified closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act").
The Trust's primary investment objective is to provide current income with a secondary objective of long-term capital appreciation. There can be no assurance that the Trust will achieve its investment objectives. The Trust's investment objectives are considered fundamental and may not be changed without shareholder approval.
Note 2 – Accounting Policies:
The Trust operates as an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946 Financial Services – Investment Companies.
The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP") and are consistently followed by the Trust. This requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All time references are based on Eastern Time.
(a) Valuation of Investments
The Board of Trustees of the Trust (the "Board") has adopted policies and procedures for the valuation of the Trust's investments (the "Valuation Procedures"). Pursuant to the Valuation Procedures, the Board has delegated to a valuation committee, consisting of representatives from Guggenheim's investment management, fund administration, legal and compliance departments (the "Valuation Committee"), the day-to-day responsibility for implementing the Valuation Procedures, including, under most circumstances, the responsibility for determining the fair value of the Trust's securities or other assets.
Valuations of the Trust's securities are supplied primarily by pricing services appointed pursuant to the processes set forth in the Valuation Procedures. The Valuation Committee convenes monthly, or more frequently as needed and will review the valuation of all assets which have been fair valued for reasonableness. The Trust's officers, through the Valuation Committee and consistent with the monitoring and review responsibilities set forth in the Valuation Procedures, regularly review procedures used by, and valuations provided by, the pricing services.
If the pricing service cannot or does not provide a valuation for a particular investment or such valuation is deemed unreliable, such investment is fair valued by the Valuation Committee.
Equity securities listed on an exchange (New York Stock Exchange ("NYSE") or American Stock Exchange) are valued at the last quoted sales price as of the close of business on the NYSE, usually 4:00 p.m. Eastern time on the valuation date. Equity securities listed on the NASDAQ market system are valued at the NASDAQ Official Closing Price on the valuation date, which may not necessarily

represent the last sale price. If there has been no sale on such exchange or NASDAQ on such day, the security is valued at the mean between the last available bid and ask prices on such day.

Open-end investment companies (“Mutual Funds”) are valued at their NAV as of the close of business on the valuation date. Exchange Traded Funds (“ETFs”) and closed-end investment companies are valued at the last quoted sales price.

Debt securities with a maturity of greater than 60 days at acquisition are valued at prices that reflect broker/dealer supplied valuations or are obtained from independent pricing services, which may consider the trade activity, treasury spreads, yields or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities. Short-term debt securities with a maturity of 60 days or less at acquisition and repurchase agreements are valued at amortized cost, provided such amount approximates market value.

Typically loans are valued using information provided by an independent third party pricing service which uses broker quotes in a non-active market.

The value of interest rate swap agreements are accounted for using the unrealized gain or loss on the agreements that is determined using the spread priced off the CME price.

Generally, trading in foreign securities markets is substantially completed each day at various times prior to the close of the NYSE. The values of foreign securities are determined as of the close of such foreign markets or the close of the NYSE, if earlier. All investments quoted in foreign currency are valued in U.S. dollars on the basis of the foreign currency exchange rates prevailing at the close of U.S. business at 4:00 p.m. Eastern time. Investments in foreign securities may involve risks not present in domestic investments. The Valuation Committee will determine the current value of such foreign securities by taking into consideration certain factors which may include those discussed above, as well as the following factors, among others: the value of the securities traded on other foreign markets, ADR trading, closed-end fund trading, foreign currency exchange activity, and the trading prices of financial products that are tied to foreign securities such as World Equity Benchmark Securities. In addition, under the Valuation Procedures, the Valuation Committee and Guggenheim Funds Investment Advisors, LLC (“GFIA” or the “Adviser”) are authorized to use prices and other information supplied by a third party pricing vendor in valuing foreign securities.

Investments for which market quotations are not readily available (including restricted securities) are fair valued as determined in good faith by the Adviser, subject to review by the Valuation Committee, pursuant to methods established or ratified by the Board. Valuations in accordance with these methods are intended to reflect each security’s (or asset’s) “fair value.” Each such determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security, (iii) the existence of any contractual restrictions on the security’s disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company’s financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security).

NOTES TO FINANCIAL STATEMENTS continued May 31, 2016

(b) Investment Transactions and Investment Income
Investment transactions are accounted for on the trade date. Realized gains and losses on investments are determined on the identified cost basis. Paydown gains and losses on mortgage and asset-backed securities are treated as interest income. Dividend income is recorded net of applicable withholding taxes on the ex-dividend date and interest income is recorded on an accrual basis. Discounts or premiums on debt securities purchased are accreted or amortized to interest income over the lives of the respective securities using the effective interest method.
(c) When-Issued and Delayed Delivery Transactions
The Trust may engage in when-issued or delayed delivery transactions. The Trust records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in a market conditions or the failure of counterparties to perform under the contract.
(d) Distributions
The Trust declares and pays monthly distributions to common shareholders. These distributions consist of investment company taxable income, which generally includes qualified dividend income, ordinary income and short-term capital gains. Any net realized long-term capital gains are distributed annually to common shareholders. To the extent distributions exceed taxable income, the excess will be deemed a return of capital.
Distributions to shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from GAAP.
(e) Swaps
A swap is an agreement to exchange the return generated by one instrument for the return generated by another instrument. The Trust may enter into swap agreements to manage its exposure to interest rates and/or credit risk, to generate income or to manage duration. Swaps are valued daily at current market value and any unrealized gain or loss is included in the Statement of Assets and Liabilities. Gain or loss is realized on the termination date of the swap and is equal to the difference between the Trust’s basis in the swap and the proceeds of the closing transaction, including any fees. Upon termination of a swap agreement, a payable to or receivable from swap counterparty is established on the Statement of Assets and Liabilities to reflect the net gain/loss, including interest income/expense, on terminated swap positions. The line item is removed upon settlement according to the terms of the swap agreement.
Realized gain (loss) upon termination of swap contracts is recorded on the Statement of Operations. Fluctuations in the value of swap contracts are recorded as a component of net change in unrealized appreciation (depreciation) of swap contracts. Net periodic payments received by the Trust are included as part of realized gain (loss) and, in the case of accruals for periodic payments, are included as part of unrealized appreciation (depreciation) on the Statement of Operations.

NOTES TO FINANCIAL STATEMENTS continued May 31, 2016

(f) Currency Translation
Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the mean of the bid and ask price of respective exchange rates on the last day of the period. Purchases and sales of investments denominated in foreign currencies are translated at the exchange rate on the bid and ask price of respective exchange rates on the date of the transaction.
The Trust does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.
Foreign exchange realized gain or loss resulting from holding of a foreign currency, expiration of a currency exchange contract, difference in exchange rates between the trade date and settlement date of an investment purchased or sold, and the difference between dividends or interest actually received compared to the amount shown in the Trust's accounting records on the date of receipt is shown as net realized gains or losses on foreign currency transactions on the Trust's Statement of Operations.
Foreign exchange unrealized gain or loss on assets and liabilities, other than investments, is shown as unrealized appreciation (depreciation) on foreign currency translation on the Trust's Statement of Operations.
(g) Forward Foreign Currency Exchange Contracts
Forward foreign currency exchange contracts are agreements between two parties to buy and sell currencies at a set price on a future date. Fluctuations in the value of open forward foreign currency exchange contracts are recorded for financial reporting purposes as unrealized appreciation and depreciation by the Trust until the contracts are closed. When the contracts are closed, realized gains and losses are recorded, and included on the Statement of Operations in foreign currency transactions.
(h) Indemnifications
Under the Trust's organizational documents, its Trustees and Officers are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, throughout the normal course of business, the Trust enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Trust's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust and/or its affiliates that have not yet occurred. However, based on experience, the Trust expects the risk of loss to be remote.
Note 3 – Investment Advisory Agreement, Sub-Advisory Agreement and Other Agreements:
Pursuant to an Investment Advisory Agreement between the Trust and the Adviser, the Adviser furnishes offices, necessary facilities and equipment, provides administrative services, oversees the activities of Guggenheim Partners Investment Management, LLC ("GPIM" or "Sub-Adviser"), provides personnel including certain officers required for the Trust's administrative management and compensates the officers and trustees of the Trust who are affiliates of the Adviser. As compensation for these services, the Trust pays the Adviser a fee, payable monthly, in an amount

NOTES TO FINANCIAL STATEMENTS continued May 31, 2016

equal to 0.60% of the Trust's average daily managed assets (net assets applicable to common shareholders plus any assets attributable to financial leverage).

Pursuant to a Sub-Advisory Agreement among the Trust, the Adviser and GPIM, GPIM under the supervision of the Trust's Board of Trustees and the Adviser, provides a continuous investment program for the Trust's portfolio; provides investment research; makes and executes recommendations for the purchase and sale of securities; and provides certain facilities and personnel, including certain officers required for its administrative management and pays the compensation of all officers and trustees of the Trust who are GPIM's affiliates. As compensation for its services, the Adviser pays GPIM a fee, payable monthly, in an annual amount equal to 0.30% of the Trust's average daily managed assets.

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

Rydex Fund Services, LLC ("RFS"), an affiliate of the Adviser and the Sub-Adviser, provides fund administration services to the Trust. As compensation for these services RFS receives a fund administration fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Trust:

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

RFS serves as the accounting agent of the Trust. As accounting agent, RFS is responsible for maintaining the books and records of the Trust's securities and cash. RFS receives an accounting fee payable monthly at the annual rate set forth below as a percentage of the average daily managed assets of the Trust.

Managed Assets	Rate
First $200,000,000	0.0300%
Next $300,000,000	0.0150%
Next $500,000,000	0.0100%
Over $1,000,000,000	0.0075%
Minimum annual charge	$50,000
Certain out-of-pocket charges	Varies

For purposes of calculating the fees payable under the foregoing agreements, average daily managed assets means the average daily value of the Trust's total assets minus the sum of its accrued liabilities. Total assets means all of the Trust's assets and is not limited to its investment securities. Accrued liabilities means all of the Trust's liabilities other than borrowings for investment purposes.

The Bank of New York Mellon ("BNY") acts as the Trust's custodian. As custodian, BNY is responsible for the custody of the Trust's assets.

NOTES TO FINANCIAL STATEMENTS continued May 31, 2016

Note 4 – Fair Value Measurement:
In accordance with GAAP, fair value is defined as the price that the Trust would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. GAAP establishes a three-tier fair value hierarchy based on the types of inputs used to value assets and liabilities and requires corresponding disclosure. The hierarchy and the corresponding inputs are summarized below:
Level 1 – quoted prices in active markets for identical assets or liabilities.
Level 2 – significant other observable inputs (for example quoted prices for securities that are similar based on characteristics such as interest rates, prepayment speeds, credit risk, etc.).
Level 3– significant unobservable inputs based on the best information available under the circumstances, to the extent observable inputs are not available, which may include assumptions.
The types of inputs available depend on a variety of factors, such as the type of security and the characteristics of the markets in which it trades, if any. Fair valuation determinations that rely on fewer or no observable inputs require greater judgment. Accordingly, fair value determinations for Level 3 securities require the greatest amount of judgment.
Independent pricing services are used to value a majority of the Trust's investments. When values are not available from a pricing service, they will be determined under the valuation policies that have been reviewed and approved by the Board. In any event, values are determined using a variety of sources and techniques, including: market prices; broker quotes; and models which derive prices based on inputs such as prices of securities with comparable maturities and characteristics or based on inputs such as anticipated cash flows or collateral, spread over Treasuries, and other information and analysis. A significant portion of the Trust's assets and liabilities are categorized as Level 2, or Level 3, as indicated in this report.
Indicative quotes from broker-dealers, adjusted for fluctuations in criteria such as credit spreads and interest rates, may also be used to value the Trust's assets and liabilities, i.e. prices provided by a broker-dealer or other market participant who has not committed to trade at that price. Although indicative quotes are typically receiv