

GUGGENHEIM STRATEGIC OPPORTUNITIES FUND  
Form N-CSR  
August 08, 2013

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 811-21982

Guggenheim Strategic Opportunities Fund  
(Exact name of registrant as specified in charter)

2455 Corporate West Drive, Lisle, IL 60532  
(Address of principal executive offices) (Zip code)

Amy J. Lee  
2455 Corporate West Drive, Lisle, IL 60532  
(Name and address of agent for service)

Registrant's telephone number, including area code: (630) 505-3700

Date of fiscal year end: May 31

Date of reporting period: June 1, 2012 - May 31, 2013

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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:

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[WWW.GUGGENHEIMINVESTMENTS.COM/GOF](http://WWW.GUGGENHEIMINVESTMENTS.COM/GOF)

... YOUR WINDOW TO THE LATEST, MOST UP-TO-DATE INFORMATION ABOUT GUGGENHEIM STRATEGIC OPPORTUNITIES FUND

The shareholder report you are reading right now is just the beginning of the story. Online at [www.guggenheiminvestments.com/gof](http://www.guggenheiminvestments.com/gof), you will find:

- Daily, weekly and monthly data on share prices, net asset values, distributions and more
- 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 Fund's website in an ongoing effort to provide you with the most current information about how your Fund'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 Fund.

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May 31, 2013

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DEAR SHAREHOLDER

We thank you for your investment in the Guggenheim Strategic Opportunities Fund (the “Fund”). This report covers the Fund’s performance for the annual period ended May 31, 2013.

The Fund’s investment objective is to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis to seek to identify securities or spreads between securities that deviate from their perceived fair value and/or historical norms. There is no guarantee that the perceived fair value will be achieved. The Fund’s sub-adviser seeks to combine a credit-managed fixed-income portfolio with access to a diversified pool of alternative investments and equity strategies.

All Fund 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, 2013, the Fund provided a total return based on market price of 14.10 percent and a total return based on NAV of 21.37 percent. As of May 31, 2013, the Fund’s market price of \$21.91 per share represented a premium of 4.58 percent to its NAV of \$20.95 per share. As of May 31, 2012, the Fund’s market price of \$21.08 per share represented a premium of 10.95 percent to its NAV of \$19.00 per share. The market value of the Fund’s shares fluctuates from time to time and it may be higher or lower than the Fund’s NAV.

In each month from June 2012 through November 2012, the Fund paid a monthly distribution of \$0.154 per share. The monthly distribution was raised to \$0.1694 from December 2012 through April 2013 and then to \$0.1821, for May 2013. The distribution as of May 31, 2013, represents an annualized distribution rate of 10.0 percent based on the Fund’s closing market price of \$21.91 on May 31, 2013. The Fund’s distribution rate is not constant and is subject to change based on the performance of the Fund.

Guggenheim Funds Investment Advisors, LLC (the “Adviser”) serves as the investment adviser to the Fund. Guggenheim Partners Investment Management, LLC (“GPIM” or the “Sub-Adviser”) serves as the Fund’s investment sub-adviser and is responsible for the management of the Fund’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 Fund through the Dividend Reinvestment Plan (“DRIP”), which is described in detail on page 40 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund’s common shares is at a premium above NAV, the DRIP reinvests participants’ dividends in newly-issued common shares at the greater of NAV per share or 95 percent 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 Fund endeavors to maintain a stable monthly distribution, the DRIP effectively provides an income averaging technique, which causes shareholders to accumulate a larger number of Fund shares when the market price is depressed than when the price is higher.

To learn more about the Fund’s performance and investment strategy, we encourage you to read the Questions & Answers section of this report, which begins on page 4. You’ll find information on GPIM’s investment philosophy, views on the economy and market environment, and detailed information about the factors that impacted the Fund’s

performance.

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund's website at [www.guggenheiminvestments.com/gof](http://www.guggenheiminvestments.com/gof).

Sincerely,  
Donald C. Cacciapaglia  
Chief Executive Officer  
Guggenheim Strategic Opportunities Fund

June 28, 2013

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QUESTIONS & ANSWERS

May 31, 2013

Guggenheim Strategic Opportunities Fund (the “Fund”) is managed by a team of seasoned professionals at Guggenheim Partners Investment Management, LLC (“GPIM”). This team includes B. Scott Miner, Global Chief Executive Officer and Global Chief Investment Officer; Anne Bookwalter Walsh, CFA, JD, Senior Managing Director; and James W. Michal, Managing Director and Portfolio Manager. In the following interview, the investment team discusses the market environment and the Fund’s performance for the one-year period ended May 31, 2013.

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

The Guggenheim Strategic Opportunities Fund (the “Fund”) seeks to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis to seek to identify securities or spreads between securities that deviate from their perceived fair value and/or historical norms. There is no guarantee that the perceived fair value of the Fund’s portfolio investments will be achieved. GPIM seeks to combine a credit-managed fixed income portfolio with access to a diversified pool of alternative investments and equity strategies.

The Fund seeks to achieve its investment objective by investing in a wide range of fixed income and other debt and senior equity securities (“income securities”) selected from a variety of credit qualities and sectors, including, but not limited to, corporate bonds, loans and loan participations, structured finance investments, U.S. government and agency securities, mezzanine and preferred securities and convertible securities, and in common stocks, limited liability company interests, trust certificates and other equity investments (“common equity securities,” exposure to which is obtained primarily by investing in exchange traded funds, or ETFs) that GPIM believes offer attractive yield and/or capital appreciation potential, including employing a strategy of writing (selling) covered call and put options on such equities. GPIM believes the volatility of the Fund can be reduced by diversifying across a large number of sectors and securities, many of which historically have not been highly correlated to one another.

Under normal market conditions:

- ¶The Fund may invest up to 60 percent of its total assets in fixed income securities rated below investment grade (commonly referred to as “junk bonds”);
- ¶The Fund may invest up to 20 percent of its total assets in non-U.S. dollar denominated fixed income securities of corporate and governmental issuers located outside the U.S., including up to 10 percent of total assets in fixed income securities of issuers located in emerging markets;
- The Fund may invest up to 50 percent of its total assets in common equity securities; and
- ¶The Fund may invest up to 30 percent of its total assets in investment funds that primarily hold (directly or indirectly) investments in which the Fund may invest directly, of which amount up to 30 percent of the Fund’s total assets may be invested in investment funds that are registered as investment companies under the Investment Company Act of 1940, as amended (the “1940 Act”) to the extent permitted by applicable law and related interpretations of the staff of the U.S. Securities and Exchange Commission.

GPIM’s investment process is a collaborative effort between its Portfolio Construction Group, which utilizes tools such as a proprietary risk optimization model to determine allocation of assets among a variety of sectors, and its Sector Specialists, who are responsible for security selection within these sectors and for implementing securities transactions.

The Fund uses financial leverage (borrowing) to finance the purchase of additional securities. Although financial leverage may create an opportunity for increased return for shareholders, it also results in additional risks and can magnify the effect of any losses. There is no assurance that the strategy will be successful. If income and gains earned on securities purchased with the financial leverage proceeds are greater than the cost of the financial leverage, common shareholders' return will be greater than if financial leverage had not been used. Conversely, if the income or gains from the securities purchased with the proceeds of financial leverage are less than the cost of the financial leverage, common shareholders' return will be less than if financial leverage had not been used.

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

Despite weakening global economic conditions experienced as the period came to a close, the overall U.S. economy for the past 12 months was powered by monetary accommodation from central banks around the world and continuing improvement in the U.S. housing sector and labor market. Equity markets rallied more than 27 percent over the period, with the S&P 500 reaching an all-time high. Credit spreads continued to tighten, as abundant liquidity and the continuation of open-ended quantitative easing resulted in a benign credit environment with low default rates.

Improvement in the unemployment rate has been slow, and recent declines may be overstated by reduced labor force participation – the lowest since 1978. In the private sector, the U.S. economy is currently adding jobs at a rate that is over 20 percent higher than that of the prior expansion. As for housing, January and February 2013 marked the best two-month period of new home sales since 2008, which has been driving increased consumption through the wealth effect.

QUESTIONS & ANSWERS continued

May 31, 2013

Conflicting economic data about the health of the U.S. economy late in the period stirred concerns about possible market consolidation or even a correction; following the Fiscal Cliff and sequester, there was also rising uncertainty around U.S. fiscal policy issues, as well as anemic growth trends in Europe, slower growth in China and a tumble in commodity prices, notably that of gold. Markets were also startled by the size of accommodation by the Bank of Japan which ultimately weakened the value of the yen. Nonetheless, multi-year lows in the CBOE Volatility Index suggested there was also considerable complacency on the part of investors.

A number of global central banks implemented interest rate cuts during the period, owing to sluggish global economic growth and continuing weakness in commodity prices. The world is still in a deflationary environment, which has given policymakers a great deal of leeway to extend and expand accommodative monetary policies aimed at stimulating output.

Following the end of the Fund's fiscal year ended May 31, 2013, U.S. and global markets experienced significant volatility. Both fixed income and equity markets sold off sharply due to rising monetary policy uncertainty in the U.S. and growing fundamental risk in Japan and China. The rise in volatility has in large part been a result of shifting market sentiment, but fundamentally economic growth in the U.S. has not changed materially, although the impact of rising interest rates on housing has yet to be seen. With ongoing weakness in growth and inflation, global central banks are expected to maintain accommodative policies for the foreseeable future.

How did the Fund perform for the 12 months ended May 31, 2013?

All Fund 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, 2013, the Fund provided a total return based on market price of 14.10 percent and a total return based on NAV of 21.37 percent.

As of May 31, 2013, the Fund's market price of \$21.91 per share represented a premium of 4.58 percent to its NAV of \$20.95 per share. As of May 31, 2012, the Fund's market price of \$21.08 per share represented a premium of 10.95 percent to its NAV of \$19.00. The market value of the Fund's shares fluctuates from time to time and it may be higher or lower than the Fund's NAV. Past performance is not a guarantee of future results.

In each month from June 2012 through November 2012, the Fund paid a monthly distribution of \$0.154 per share. The monthly distribution was raised to \$0.1694 through April 2013 and then to \$0.1821, for May 2013. The distribution as of May 31, 2013, represents an annualized distribution rate of 10.0 percent based on the Fund's closing market price of \$21.91 on May 31, 2013. The Fund's distribution rate is not constant and is subject to change based on the performance of the Fund.

What were the major contributors to or detractors from performance?

Performance for the Fund was strong for the period, as leveraged credit markets (consisting primarily of high yield bonds and bank loans) registered gains owing to intense investor demand and robust loan issuance. Increased issuance in the collateralized loan obligations (“CLO”) market has also driven increased demands for underlying loans. These factors combined with monetary stimulus provided by central banks across the globe have helped drive spreads and overall yields tighter.

Global equity markets, structured credit and corporate bonds rallied on the back of monetary stimulus, with the main drivers of positive performance being corporate bonds and loans, and asset-backed securities (“ABS”). The Fund



continues to remain overweight spread duration and underweight interest rate duration, given the macroeconomic forecast.

Detractors to performance included several corporate credit positions that experienced mark-to-market weakness given specific credit or industry outlooks. The Fund experienced some weakness in its exposure to gold through ETFs and options in the second half of the period. GPIM continues to believe that corporate fundamentals will remain positive, as accommodation and low borrowing rates remain supportive of corporate credits.

What have market conditions been like over the past six months for the main asset classes the Fund invests in?

Credit spread fixed income assets continued rallying in the early months of 2013, but then the pace began to slow as investors grew increasingly cautious towards global political risks and the European recession. Limited net new supply helped maintain a positive bid for corporate credit and structured credit assets.

The resurgence of the CLO market contributed to the rise in bank loan issuance during the period, although most issuance was refinancing, and CLO new-issue supply for 2013 is on track to exceed 2012's total of \$55 billion, which was four times 2011 volume.

The burgeoning value of bank loans has attracted strong retail flow into the sector, presumably at expense of high yield bonds, which investors facing interest rate risk have begun to abandon. For example, flows into the loan market were \$13 billion in the first quarter of 2013, compared with \$1 billion into high yield bond funds. Earlier in the period, strong investor demand for high yield bonds was outpacing supply, in spite of record high issuance, as investors drove yields of high yield bonds to all-time lows. Excess liquidity injected into the financial system by the Federal Reserve enabled high yield issuers to refinance over \$300 billion of debt in 2012 and keep expected default rates near historic lows. Though spreads tightened significantly for high yield credit over the period, they remain above historic lows.

QUESTIONS & ANSWERS continued

May 31, 2013

Despite significant price appreciation of ABS for the period, this asset class continues to offer relative value compared to similarly rated corporate bonds. ABS credit markets issued close to \$200 billion in for 2012, the most since 2007, with student loan, auto and credit card-backed ABS dominating the issuance. Broader market acceptance of off-the-run ABS has gained momentum throughout the year, as strong demand has continued to drive spreads tighter and increased competition among investors for allocations. While recent U.S. economic data has been mixed, the performance of the consumer and corporate credits underlying ABS has been stable and supportive of ABS performance.

How did other markets perform in this environment?

For the 12-month period ended May 30, 2013, the Standard & Poor's 500 Index (the "S&P 500") rose 27.28 percent (this and all other returns cited in this section are total return). Morgan Stanley Capital International ("MSCI") Europe-Australasia-Far East ("EAFE") Index rose 31.62 percent and the MSCI Emerging Market Index rose 14.10 percent.

In the bond market, the Barclays U.S. Aggregate Bond Index returned 0.91 percent for the period, while the Barclays U.S. Corporate High Yield Index returned 14.82 percent. The Credit Suisse Leveraged Loan Index returned 9.04 percent for the period. Reflecting the Federal Reserve's continuing accommodative monetary policy, interest rates on short-term securities remained at their lowest levels in many years; the return of the Barclays 1-3 Month U.S. Treasury Bill Index was 0.08 percent for the same period.

What is the Fund's leverage 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 Fund's total return during this period. The purpose of leverage (borrowing) is to fund the purchase of additional securities that provide increased income and potentially greater appreciation to common shareholders than could be achieved from an unlevered portfolio. Leverage results in greater NAV volatility and entails more downside risk than an unlevered portfolio.

As of May 31, 2013, the amount of leverage was approximately 28.7 percent of total managed assets. GPIM employs leverage through two vehicles: reverse repurchase agreements, under which the Fund temporarily transfers possession of portfolio securities and receives cash which can be used for additional investments, and a committed financing facility through a leading investment bank. There is no guarantee that the Fund's leverage strategy will be successful. The Fund's use of leverage may cause the Fund's NAV and market price of common shares to be more volatile and can magnify the effect of any losses.

Discuss any changes to the Fund's non-fundamental investment policies during the period.

Two changes were made to the Fund's non-fundamental investment policies during the period. The Fund notified the Fund's shareholders of these changes via a mailing in March 2013. The following non-fundamental investment policies are now effective.

Under normal market conditions, the Fund may invest up to 30% of its total assets in other funds, including registered investment companies, private investment funds and/or other pooled investment vehicles. The Fund's investment policies were amended to increase the limit on investments in other registered investment companies from 20% of the Fund's total assets to 30% of the Fund's total assets. The 1940 Act generally limits a registered investment company's

investments in other investment companies to 10% of its total assets. However, pursuant to certain exemptions set forth in the 1940 Act and the rules and regulations promulgated thereunder and/or in accordance with the terms of exemptive relief obtained by certain other investment companies in which the Fund may seek to invest, the Fund may invest in excess of this limitation provided that certain conditions are met.

Under normal market conditions, the Fund will not invest more than 60% of its total assets in Income Securities rated below investment grade (e.g., securities rated below Baa3 by Moody's Investors Service, Inc. ("Moody's") or below BBB- by Standard & Poor's Ratings Group ("S&P")) or, if unrated, determined by GPIM to be of comparable quality. The Fund amended its investment policies to provide that in the case of a security receiving two different ratings from two different rating agencies the Fund will apply the higher of the two ratings for the purposes of its policy regarding investment in below investment grade securities.

These changes are designed to expand the portfolio management flexibility of the Fund and may provide an opportunity to enhance shareholder value through the GPIM's expanded investment capabilities. Although ratings may be an initial criterion for portfolio selection, GPIM also independently evaluates securities and the ability of the issuers to pay interest and principal.

#### Index Definitions

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

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

QUESTIONS & ANSWERS continued

May 31, 2013

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

The Barclays 1-3 Month U.S. Treasury Bill Index tracks the performance of U.S. Treasury bills with a remaining maturity of one to three months. U.S. Treasury bills, which are short-term loans to the U.S. government, are full faith-and-credit obligations of the U.S. Treasury and are generally regarded as being free of any risk of default.

The Credit Suisse Leveraged Loan Index is an Index designed to mirror the investable universe of the \$US-denominated leveraged loan market.

The MSCI EAFE Index is a capitalization weighted measure of stock markets in Europe, Australasia and the Far East.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets.

#### 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 Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Historically, closed-end funds often trade at a discount to their net asset value. There can be no assurance that the Fund will achieve its investment objectives.

Please see [www.guggenheiminvestments.com/gof](http://www.guggenheiminvestments.com/gof) for a detailed discussion of the Fund's risks and considerations.

## FUND SUMMARY (Unaudited)

May 31, 2013

## Fund Statistics

|  |  |    |         |   |
|--|--|----|---------|---|
| Share Price                                    |  | \$ | 21.91   |   |
| Common Share Net Asset Value                   |  | \$ | 20.95   |   |
| Premium/Discount to NAV                        |  |    | 4.58    | % |
| Net Assets Applicable to Common Shares (\$000) |  | \$ | 286,471 |   |

## Total Returns

| (Inception 7/27/07)                           |       | Market |       | NAV |
|---|-------|--------|-------|-----|
| One Year                                      | 14.10 | %      | 21.37 | %   |
| Three Year - average annual <sup>1</sup>      | 18.60 | %      | 16.80 | %   |
| Five Year - average annual <sup>1</sup>       | 18.00 | %      | 15.68 | %   |
| Since Inception - average annual <sup>1</sup> | 13.27 | %      | 12.98 | %   |

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 total returns reflect the Fund's total annual expenses. For the most recent month-end performance figures, please visit [www.guggenheiminvestments.com/gof](http://www.guggenheiminvestments.com/gof). The investment return and principal value of an investment will fluctuate with changes in the market conditions and other factors so that an investor's shares, when sold, may be worth more or less than their original cost.

<sup>1</sup>Investors should also be aware that these returns were primarily achieved during favorable market conditions and may not be sustainable.

| Top Ten Holdings   |     | % of Long-Term Investments |
|--|-----|----------------------------|
| SPDR S&P 500 ETF Trust   | 9.4 | %                          |
| Rockwall CDO Ltd., Series 2007-1A, Class A1LA<br>(Cayman Islands)    | 2.0 | %                          |
| Aerco Ltd., Series 2A, Class A3 (Jersey)                             | 1.9 | %                          |
| Airplanes Pass-Through Trust, Series 2001-1A, Class A9               | 1.8 | %                          |
| Fortress Credit Opportunities I LP, Series 2005-1A, Class A1         | 1.7 | %                          |
| SPDR Dow Jones Industrial Average ETF Trust                          | 1.4 | %                          |
| Nomura Resecuritization Trust, Series 2012-1R, Class A               | 1.3 | %                          |
| Attentus CDO Ltd., Series 2007-3A, Class A1B<br>(Cayman Islands)     | 1.2 | %                          |
| Eastland CLO Ltd., Series 2007-1A, Class A2B<br>(Cayman Islands)     | 1.2 | %                          |
| Highland Park CDO Ltd., Series 2006-1A, Class A1<br>(Cayman Islands) | 1.1 | %                          |

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## PORTFOLIO OF INVESTMENTS

May 31, 2013

| Principal<br>Amount            | Description                             | Rating<br>* | Coupon  | Maturity   | Optional Call<br>Provisions** | Value           |
|--------------------------------|---|-------------|---------|------------|-------------------------------|-----------------|
| Long-Term Investments – 138.0% |   |             |         |            |                               |                 |
| Corporate Bonds – 45.1%        |   |             |         |            |                               |                 |
| Advertising – 1.6%             |   |             |         |            |                               |                 |
| \$ 2,350,000                   | MDC Partners, Inc. (Canada)(a) (b)      | B-          | 6.750%  | 04/01/2020 | 04/01/16 @<br>103             | \$<br>2,402,875 |
| 1,975,000                      | Sitel, LLC / Sitel Finance Corp.(a) (b) | B           | 11.000% | 08/01/2017 | 08/01/14 @<br>106             | 2,123,125       |
| 4,526,000                      |   |             |         |            |                               |                 |
| Agriculture – 0.5%             |   |             |         |            |                               |                 |
| 1,200,000                      | Vector Group Ltd.(a) (b)                | B+          | 7.750%  | 02/15/2021 | 02/15/16 @<br>106             |                 |