

GUGGENHEIM ENHANCED EQUITY STRATEGY FUND
Form DEF 14A
August 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)-

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Guggenheim Enhanced Equity Strategy Fund

(Name of Registrant As Specified in its Agreement and Declaration of Trust)

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- No Fee Required
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GUGGENHEIM ENHANCED EQUITY STRATEGY FUND
(formerly, Claymore Dividend & Income Fund)
2455 Corporate West Drive
Lisle, Illinois 60532

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on August 30, 2011

Notice is hereby given to the holders of common shares of beneficial interest, par value \$0.01 per share (“Shares”), of Guggenheim Enhanced Equity Strategy Fund (formerly, Claymore Dividend & Income Fund) (the “Fund”) that the annual meeting of shareholders of the Fund (the “Annual Meeting”) will be held at the offices of the Fund, 2455 Corporate West Drive, Lisle, Illinois 60532, on Tuesday, August 30, 2011, at 12:00 p.m. (noon), Central time.

The Annual Meeting is being held for the following purposes:

1. To approve an investment sub-advisory agreement among the Fund, Guggenheim Funds Investment Advisors, LLC and Guggenheim Partners Asset Management, LLC.
2. To elect the Trustee nominee named in the accompanying proxy statement, Mr. Randall C. Barnes, as a Class I Trustee to serve until the Fund’s 2014 annual meeting of shareholders or until his successor shall have been elected and qualified.
3. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

This is a very important annual meeting of the Fund. The Board of Trustees (the “Board”) of the Fund, including all of the Independent Trustees, unanimously recommends that you vote “FOR” the approval of the new sub-advisory agreement. In addition, the Board of Trustees (the “Board”) of the Fund, including the Independent Trustees, unanimously recommends that you vote “FOR” the nominee for the Board of Trustees listed in the accompanying Proxy Statement.

The Board has fixed the close of business on July 1, 2011, as the record date (the "Record Date") for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting. We urge you to mark, sign, date, and mail the enclosed proxy in the postage-paid envelope provided or vote your proxy via telephone or the Internet so you will be represented at the Annual Meeting.

By order of the
Board of Trustees,

Kevin M. Robinson
Chief Executive Officer and
Chief Legal Officer

Lisle, Illinois
August 2, 2011

YOUR VOTE IS EXTREMELY IMPORTANT. NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN, PLEASE SEND IN YOUR PROXY CARD (OR VOTE YOUR PROXY BY TELEPHONE OR THROUGH THE INTERNET PURSUANT TO THE INSTRUCTIONS CONTAINED ON THE PROXY CARD) TODAY. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE YOUR PROXY BY TELEPHONE, INTERNET OR MAIL. IF VOTING YOUR PROXY BY MAIL, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. IF YOU ATTEND THE ANNUAL MEETING AND VOTE IN PERSON, YOUR VOTE AT THE ANNUAL MEETING WILL REVOKE ANY PROXY YOU MAY HAVE SUBMITTED. MERELY ATTENDING THE ANNUAL MEETING, HOWEVER, WILL NOT REVOKE ANY PREVIOUSLY SUBMITTED PROXY. IF YOU INTEND TO ATTEND THE ANNUAL MEETING IN PERSON AND YOU ARE A RECORD HOLDER OF THE FUND'S SHARES, IN ORDER TO GAIN ADMISSION YOU MUST SHOW PHOTOGRAPHIC IDENTIFICATION, SUCH AS YOUR DRIVER'S LICENSE. IF YOU INTEND TO ATTEND THE ANNUAL MEETING IN PERSON AND YOU HOLD YOUR SHARES THROUGH A BANK, BROKER OR OTHER CUSTODIAN, IN ORDER TO GAIN ADMISSION YOU MUST SHOW PHOTOGRAPHIC IDENTIFICATION, SUCH AS YOUR DRIVER'S LICENSE, AND SATISFACTORY PROOF OF OWNERSHIP OF SHARES OF THE FUND, SUCH AS YOUR VOTING INSTRUCTION FORM (OR A COPY THEREOF) OR BROKER'S STATEMENT INDICATING OWNERSHIP AS OF A RECENT DATE. IF YOU HOLD YOUR SHARES IN A BROKERAGE ACCOUNT OR THROUGH A BANK OR OTHER NOMINEE, YOU WILL NOT BE ABLE TO VOTE IN PERSON AT THE ANNUAL MEETING UNLESS YOU HAVE PREVIOUSLY REQUESTED AND OBTAINED A "LEGAL PROXY" FROM YOUR BROKER, BANK OR OTHER NOMINEE AND PRESENT IT AT THE ANNUAL MEETING.

GUGGENHEIM ENHANCED EQUITY STRATEGY FUND
(FORMERLY, CLAYMORE DIVIDEND & INCOME FUND)

PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON AUGUST 30, 2011

This proxy statement (“Proxy Statement”) is furnished to the holders of common shares of beneficial interest, par value \$0.01 per share (“Shares”), of Guggenheim Enhanced Equity Strategy Fund (formerly, Claymore Dividend & Income Fund) (the “Fund”) in connection with the solicitation by the Board of Trustees of the Fund (the “Board”) of proxies to be voted at the annual meeting of shareholders of the Fund to be held on Tuesday, August 30, 2011, and any adjournment or postponement thereof (the “Annual Meeting”). The Annual Meeting will be held at the offices of the Fund, 2455 Corporate West Drive, Lisle, Illinois 60532 on August 30, 2011, at 12:00 p.m. (noon) Central time.

This Proxy Statement gives you information you need to vote on the matters listed on the accompanying Notice of Annual Meeting of Shareholders (“Notice of Annual Meeting”). Much of the information in this Proxy Statement is required under rules of the Securities and Exchange Commission (“SEC”). If there is anything you don’t understand, please contact us at our toll-free number: (800) 591-8269.

The Fund will furnish, without charge, a copy of the Fund’s most recent annual report and/or semi-annual report to shareholders to any shareholder upon request. Requests should be directed to Guggenheim Funds Distributors, Inc., 2455 Corporate West Drive, Lisle, Illinois 60532, (866) 392-3004.

The Notice of Annual Meeting, this Proxy Statement and the enclosed proxy card are first being sent to the Fund’s shareholders on or about August 2, 2011.

- Why is a shareholder meeting being held?

The Fund’s Shares are listed on the New York Stock Exchange (the “NYSE”), under the ticker symbol “GGE”, which requires the Fund to hold an annual meeting of shareholders to elect Trustees each fiscal year.

In addition, shareholders are being asked to approve an investment sub-advisory agreement among the Fund, Guggenheim Funds Investment Advisors, LLC (the “Adviser”) and Guggenheim Partners Asset Management, LLC (“GPAM” or the “Sub-Adviser”).

- What proposals will be voted on at the Annual Meeting?

Shareholders of the Fund are being asked to vote on the following proposals at the Annual Meeting:

1. To approve an investment sub-advisory agreement among the Fund, the Adviser and GPAM.
2. To elect the Trustee nominee named in this Proxy Statement, Mr. Randall C. Barnes, to serve until the Fund's 2014 annual meeting of shareholders or until his successor shall have been elected and qualified.

- Why are shareholders being asked to approve a new investment sub-advisory agreement?

The Board conducted an evaluation of the Fund and considered various strategic alternatives for the Fund, in light of the Fund's distribution rate and market price discount to net asset value and the tax characteristics of the Fund. The Board considered the Adviser's view that funds that invest primarily in equities, such as the Fund did under its prior investment strategy, generally generate lower income and generally offer lower distribution rates than other equity strategies used by closed-end funds. The Board concluded that the new investment strategy (described in further detail herein) and the implementation of such investment strategy by GPAM would be in the best interest of the Fund and its shareholders, in light of the potential for the investment strategy to increase the earnings of the Fund, which may result in an increase in the amount of quarterly distributions payable by the Fund, and the tax characteristics of the Fund. While GPAM's strategy may offer the potential to increase the earnings of the Fund, it may also result in the Fund being subject to additional risks. See "Proposal 1: Approval of New Sub-Advisory Agreement—Principal Risks Associated with the Fund's Investment Strategy."

On March 7, 2011, the Board approved the termination of the investment sub-advisory agreement (the "Manning & Napier Sub-Advisory Agreement") among the Fund, the Adviser and Manning & Napier Advisors, Inc. ("Manning & Napier"), and the Adviser provided notice to Manning & Napier of such termination, effective as of May 16, 2011. The Board approved an interim investment sub-advisory agreement among the Fund, the Adviser and GPAM (the "Interim Sub-Advisory Agreement"), that was entered into and became effective upon the termination of the Manning & Napier Sub-Advisory Agreement on May 16, 2011. Pursuant to Rule 15a-4 under the Investment Company Act of 1940, as amended (the "1940 Act"), GPAM may act as investment sub-adviser pursuant to the Interim Sub-Advisory Agreement for up to 150 days from the termination of the Manning & Napier Sub-Advisory Agreement, pending shareholder approval of a new sub-advisory agreement among the

Fund, the Adviser and GPAM (the “New Sub-Advisory Agreement”). In order for GPAM to continue to act as investment sub-adviser to the Fund beyond such interim period, the New Sub-Advisory Agreement must be approved by shareholders of the Fund.

See “Proposal 1: Approval of New Sub-Advisory Agreement—Board Considerations” for more information regarding the considerations of the Board in approving the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement.

The terms of the investment advisory agreement between the Fund and the Adviser have not changed.

- Have the name and ticker symbol of the Fund changed?

Yes. In connection with the retention of GPAM as investment sub- adviser, the name of the Fund changed to “Guggenheim Enhanced Equity Strategy Fund” effective May 16, 2011. Additionally, the Fund’s NYSE ticker symbol changed to “GGE” and the Fund’s CUSIP number changed to 40167K100.

- Who is GPAM?

GPAM, a subsidiary of Guggenheim Partners, LLC (“Guggenheim”), is an investment manager specializing in innovative investment strategies that aim to add alpha relative to benchmarks in both up and down markets. GPAM’s investment philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns over time as compared to such benchmark indexes. GPAM manages more than \$29 billion in investments for a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions.

The Adviser is also a subsidiary of Guggenheim and is an affiliate of GPAM. Guggenheim is a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions that have entrusted Guggenheim with the supervision of more than \$100 billion of assets.

- How will GPAM manage the Fund’s portfolio?

Pursuant to the Interim Sub-Advisory Agreement, GPAM is responsible for the management of the Fund’s portfolio, subject to the supervision of the Adviser and the Board. The Fund continues to seek its primary investment objective of seeking a high level of current income with a secondary objective of capital appreciation. However, the investment strategy utilized by GPAM to seek to

achieve the Fund's investment objective differs from that previously utilized by Manning & Napier. GPAM seeks to achieve the Fund's investment objective by obtaining broadly diversified exposure to the equity markets and utilizing a covered call strategy developed by GPAM. GPAM's proprietary model seeks to utilize efficiencies from the tax characteristics of the Fund's portfolio through the management of the underlying instruments used to gain equity exposure, through management of the call option strike prices and maturities, and through management of the Fund's leverage. The Fund may seek to obtain exposure to equity markets through investments in exchange-traded funds or other investment funds that track equity market indices, through investments in individual equity securities and/or through derivative instruments that replicate the economic characteristics of exposure to equity securities or markets. In current market conditions, GPAM expects to seek to obtain exposure to equity markets by investing primarily in exchange-traded funds. The Fund has the ability to write call options on indices and/or securities which will typically be at or out-of-the money. GPAM's strategy typically targets one-month options, although options of any strike price or maturity may be utilized. The Fund seeks to achieve its primary investment objective of seeking a high level of current income through dividends paid on securities owned by the Fund and cash premiums received from selling options. Although the Fund will receive premiums from the options written, by writing a covered call option, the Fund forgoes any potential increase in value of the underlying securities above the strike price specified in an option contract through the expiration date of the option. To the extent GPAM's strategy seeks to achieve broad equity exposure through a portfolio of common stocks, the Fund would hold a diversified portfolio of stocks. To the extent GPAM's equity exposure strategy is implemented through investment in broad-based equity exchange-traded funds or other investment funds or derivative instruments that replicate the economic characteristics of exposure to equity securities markets, the Fund's portfolio will seek indirectly to provide diversified equity market exposure through holdings in fewer investments. The Fund will ordinarily focus its investments in securities of U.S. issuers but may invest up to 15% of its total assets in U.S. dollar-denominated securities of foreign issuers. The Fund may invest in or seek exposure to equity securities of issuers of any market capitalization.

Pursuant to GPAM's strategy, the Fund intends to continue to utilize financial leverage. The goal of the use of financial leverage is to enhance shareholder value, consistent with the Fund's investment objective, and provide superior risk-adjusted returns. The Fund may utilize financial leverage up to the limits imposed by the 1940 Act. The 1940 Act generally limits the extent to which the Fund may

4

utilize senior securities representing indebtedness to 33 1 / 3 % of the Fund's total assets at the time utilized. Also, under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance the liquidation value of such preferred shares plus the aggregate amount of senior securities representing indebtedness does not exceed 50% of the Fund's total assets.

The Fund's use of financial leverage is intended to be flexible in nature and will be monitored and adjusted, from time to time, by the Adviser and GPAM. Under current market conditions, the Fund intends to utilize financial leverage in an amount not to exceed 30% of the Fund's total assets (including the proceeds of such financial leverage) at the time utilized. As of July 29, 2011, the Fund had financial leverage outstanding in an amount equal to 18.43% of the Fund's total assets (including the proceeds of such financial leverage). The Fund employs financial leverage through the issuance of senior securities represented by indebtedness, including through bank borrowing by the Fund or issuance by the Fund of notes, commercial paper or other forms of debt.

In addition, the Fund may engage in certain derivatives transactions that have characteristics similar to such senior securities. To the extent the terms of such transactions obligate the Fund to make payments, the Fund will "segregate" liquid securities or cash in a separate account with the custodian of the Fund to collateralize the positions in an amount at least equal to the current value of the amount then payable by the Fund under the terms of such transactions. As a result of such segregation or cover, the Fund does not intend to treat its obligations under such transactions as senior securities representing indebtedness for purposes of the 1940 Act, in accordance with releases and interpretive letters issued by the Securities and Exchange Commission (the "SEC"), or include such transactions in calculating the aggregate amount of the Fund's financial leverage.

The Fund may use a variety of derivative instruments (including both long and short positions) for hedging or risk management purposes or as part of its investment strategies, including options and futures contracts, options on futures contracts, forward contracts and swap agreements. The Fund may also purchase and sell forward contracts on foreign currencies. The Fund also may use derivatives to gain exposure to equity and other securities in which the Fund may invest. Generally, derivatives are financial contracts whose value depends upon, or is derived from, the value of any underlying asset, reference rate or index, and may relate to, among others, individual securities, interest rates, currencies and related indexes. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments. The Fund has not adopted a

maximum percentage limit with respect to derivative transactions. However, the maximum levels of and types of derivative transactions used by the Fund will be monitored and approved by the Board of Trustees of the Fund.

- Have any investment policies of the Fund changed?

Yes. The Fund continues to seek its primary investment objective of seeking a high level of current income with a secondary objective of capital appreciation. However, in addition to the change in the Fund's non-fundamental investment strategy discussed above, in connection with the appointment of GPAM, the Board of Trustees approved changes to certain other non-fundamental investment policies of the Fund and provided notice of such changes to shareholders on March 16, 2011, effective May 16, 2011.

As a result, the Fund no longer has an investment policy of investing, under normal market conditions, at least 80% of its total assets in dividend-paying or other income-producing securities. Nor is it an investment policy of the Fund, under normal market conditions, to invest at least 65% of the Fund's total assets in dividend-paying common and preferred stocks.

Instead, the Fund has adopted a non-fundamental investment policy of, under normal market conditions, investing at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities. This policy may be changed by the Board, but no change currently is anticipated. If this policy changes, the Fund will provide shareholders at least 60 days' written notice before implementation of the change.

In addition, the Fund no longer has an investment policy of investing up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in securities of the types in which the Fund may invest directly. Instead, the Fund may invest without limitation in securities of other open- or closed-end investment companies, including exchange-traded funds. In current market conditions, GPAM expects to seek to obtain exposure to equity markets by investing primarily in exchange-traded funds. Investments in exchange-traded funds and other investment funds which invest at least 80% of their assets in equity securities or have investment objectives or strategies of tracking equity market indices will be included as investments in equity securities for the purpose of the Fund's investment policy of investing at least 80% of its assets in equity securities. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, which will be borne indirectly by shareholders of the Fund, and would remain subject to

payment of the Fund's investment management fees with respect to the assets so invested. Accordingly, investment in other investment companies involves expense and fee layering.

- What are the principal risks associated with the Fund's investment strategy?

For information regarding the principal risks associated with the Fund's investment strategy see "Proposal 1: Approval of New Sub- Advisory Agreement--Principal Risks Associated with the Fund's Investment Strategy."

- Who will be responsible for the management of the Fund's portfolio?

The portfolio management personnel of the Sub-Adviser who will be primarily responsible for the day-to-day management of the Fund's portfolio are: Jayson Flowers, Managing Director of the Sub-Adviser; Jamal Pesaran, Portfolio Sector Manager of the Sub-Adviser; Farhan Sharaff, Assistant Chief Investment Officer, Equities of the Sub- Adviser; Anne Walsh, Managing Director of the Sub-Adviser; and Scott Miner, Chief Investment Officer of the Sub-Adviser.

- Is there any change in the total management fees paid by the Fund?

Yes. Under the investment advisory agreement between the Fund and the Adviser, the Adviser is entitled to receive an investment advisory fee at an annual rate equal to 0.85% of the average daily value of the Fund's Managed Assets. The Adviser previously agreed to a 0.08% fee waiver which expired on June 17, 2011. Beginning upon the expiration of the prior fee waiver and for so long as the investment sub-adviser of the Fund is an affiliate of the Adviser, the Adviser has agreed to waive 0.05% of its advisory fee, such that the Fund will pay to the Adviser an investment advisory fee at an annual rate equal to 0.80% of the average daily value of the Fund's Managed Assets.

The Adviser pays the investment sub-advisory fee out of the advisory fee received by the Adviser. The fees payable by the Adviser to GPAM are equal to or less than the fees payable by the Adviser to Manning & Napier. Pursuant to the Manning & Napier Sub-Advisory Agreement, the Adviser paid to Manning & Napier a contractual sub- advisory fee at an annual rate equal to (i) 0.33% of the Fund's average daily Managed Assets until June 17, 2011 and (ii) 0.42% of the Fund's average daily Managed Assets thereafter. Pursuant to the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement, the Adviser pays to GPAM a contractual sub-advisory fee at an annual rate equal to (i) 0.33% of the Fund's average daily

Managed Assets until June 17, 2011 and (ii) 0.40% of the Fund's average daily Managed Assets thereafter.

“See Proposal 1: Approval of New Sub-Advisory Agreement—Pro Forma Fee Table” for a summary of the expenses of the Fund on a pro forma basis giving effect to the changes in the Fund's investment strategy.

- What will happen if shareholders do not approve the New Sub- Advisory Agreement?

If shareholders do not approve the New Sub-Advisory Agreement, the Interim Sub-Advisory Agreement will terminate at the end of the 150 day interim period and the Board will consider what action to take on behalf of the Fund.

- Will your vote make a difference?

YES! Your vote is important and could make a difference in the governance of the Fund, no matter how many Shares you own.

- Who is asking for your vote?

The enclosed proxy is solicited by the Board for use at the Annual Meeting to be held on Tuesday, August 30, 2011, and, if the Annual Meeting is adjourned or postponed, at any later meetings, for the purposes stated in the Notice of Annual Meeting.

- How does the Board recommend that shareholders vote on the proposals?

With respect to Proposal 1, the Board, including all of the Independent Trustees, recommends that you vote “FOR” the proposal to approve the New Sub-Advisory Agreement.

With respect to Proposal 2, the Board, including the Independent Trustees, unanimously recommends that you vote “FOR” the nominee for the Board (Mr. Randall C. Barnes).

- Who is eligible to vote?

Shareholders of record of the Fund at the close of business on July 1, 2011 (the “Record Date”), are entitled to be present and to vote at the Annual Meeting or any adjournment or postponement thereof. Shareholders will be entitled to one vote on each matter to be voted for each Share of the Fund held and a fractional vote with respect to fractional Shares, with no cumulative voting.

- How do you vote your Shares?

Whether or not you plan to attend the Annual Meeting, we urge you to complete, sign, date, and return the enclosed proxy card in the postage-paid envelope provided or vote your proxy via telephone or the Internet so your Shares will be represented at the Annual Meeting.

Information regarding how to vote your proxy via telephone or the Internet is included on the enclosed proxy card. The required control number for Internet and telephone voting is printed on the enclosed proxy card. The control number is used to match proxy cards with shareholders' respective accounts and to ensure that, if multiple proxy cards are executed, Shares are voted in accordance with the proxy card bearing the latest date.

If you wish to attend the Annual Meeting and vote in person, you will be able to do so. If you intend to attend the Annual Meeting in person and you are a record holder of the Fund's Shares, in order to gain admission you must show photographic identification, such as your driver's license. If you intend to attend the Annual Meeting in person and you hold your Shares through a bank, broker or other custodian, in order to gain admission you must show photographic identification, such as your driver's license, and satisfactory proof of ownership of Shares of the Fund, such as your voting instruction form (or a copy thereof) or broker's statement indicating ownership as of a recent date. If you hold your Shares in a brokerage account or through a bank or other nominee, you will not be able to vote in person at the annual meeting unless you have previously requested and obtained a "legal proxy" from your broker, bank or other nominee and present it at the Annual Meeting.

All Shares represented by properly executed proxies received prior to the Annual Meeting will be voted at the Annual Meeting in accordance with the instructions marked thereon or otherwise as provided therein. If you sign the proxy card, but don't fill in a vote, your Shares will be voted in accordance with the Board's recommendation. If any other business is brought before the Annual Meeting, your Shares will be voted at the proxies' discretion.

Shareholders who execute proxy cards or vote their proxies via telephone or the Internet may revoke them at any time before they are voted by filing with the Secretary of the Fund a written notice of revocation, by delivering (including via telephone or the Internet) a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Merely attending the Annual Meeting, however, will not revoke any previously submitted proxy.

Broker-dealer firms holding Shares in "street name" for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their Shares on the Proposals. Under current interpretations of the New York Stock Exchange (the "NYSE"), broker-dealers that are members of the NYSE and that have not received instructions from a customer may not vote such customer's Shares on Proposal 1. Broker-dealers who are not

members of the NYSE may be subject to other rules, which may or may not permit them to vote your Shares without instruction. Therefore, you are encouraged to contact your broker and record your voting instructions.

You may contact the Fund's proxy information line at (800) 591-8269 with any questions about the Proxy Statement, with questions about how to cast your vote or to obtain directions to the site of the Annual Meeting.

- What vote is required to approve the Proposals?

With respect to Proposal 1, the New Sub-Advisory Agreement must be approved by the lesser of the vote of (i) 67% or more of the outstanding voting securities of the Fund entitled to vote thereon present at the Annual Meeting or represented by proxy if holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of the Fund entitled to vote thereon.

With respect to Proposal 2, the affirmative vote of a majority of the Shares present in person or represented by proxy and entitled to vote on the matter at the Annual Meeting at which a quorum is present is necessary to elect a trustee nominee.

The holders of a majority of the Shares entitled to vote on any matter at a meeting present in person or by proxy shall constitute a quorum at such meeting of the shareholders for purposes of conducting business on such matter. Votes withheld and broker non-votes will be counted as Shares present at the Annual Meeting for quorum purposes.

- How many Shares of the Fund were outstanding as of the Record Date?

At the close of business on the Record Date, the Fund had 4,993,991 Shares outstanding.

PROPOSAL 1: APPROVAL OF NEW SUB-ADVISORY AGREEMENT

Introduction

The Board conducted an evaluation of the Fund and considered various strategic alternatives for the Fund, in light of the Fund's distribution rate and market price discount to net asset value and the tax characteristics of the Fund. The Board considered the Adviser's view that funds that invest primarily in equities, such as the Fund did under its prior investment strategy, generally generate lower income and generally offer lower distribution rates than other equity strategies used by closed-end funds. The Board concluded that the new investment strategy (described in further detail herein) and the implementation of such investment strategy by GPAM would be in the best interest of the Fund and its shareholders, in light of the potential for the investment strategy to increase the earnings of the Fund, which may result in an increase in the amount of quarterly distributions payable by the Fund, and the tax characteristics of the Fund. While GPAM's strategy may offer the potential to increase the earnings of the Fund, it may also result in the Fund being subject to additional risks. See "Proposal 1: Approval of New Sub-Advisory Agreement—Principal Risks Associated with the Fund's Investment Strategy."

On March 7, 2011, the Board approved the termination of the Manning & Napier Sub-Advisory Agreement and the Adviser provided notice to Manning & Napier of such termination, effective as of May 16, 2011. The Board approved the Interim Investment Sub-Advisory Agreement among the Fund, the Adviser and GPAM, that was entered into and became effective upon the termination of the Manning & Napier Sub-Advisory Agreement on May 16, 2011. Pursuant to the Interim Sub-Advisory Agreement, GPAM serves as the Fund's investment sub-adviser on an interim basis and is responsible for the day-to-day management of the Fund. Pursuant to Rule 15a-4 under the 1940 Act, GPAM may act as investment sub-adviser pursuant to the Interim Sub-Advisory Agreement for up to 150 days from the termination of the Manning & Napier Sub-Advisory Agreement on May 16, 2011, pending shareholder approval of the New Sub-Advisory Agreement among the Fund, the Adviser and GPAM. Therefore, in order for GPAM to continue to act as investment sub-adviser to the Fund beyond such interim period, the New Sub-Advisory Agreement must be approved by shareholders of the Fund.

In connection with the retention of GPAM as investment sub-adviser, the name of the Fund changed to "Guggenheim Enhanced Equity Strategy Fund" effective May 16, 2011. Additionally, the Fund's NYSE ticker symbol changed to "GGE" and the Fund's CUSIP number changed to 40167K100.

The terms of the investment advisory agreement between the Fund and the Adviser have not changed.

About GPAM

GPAM, a subsidiary of Guggenheim Partners, LLC ("Guggenheim"), is an investment manager specializing in innovative investment strategies that aim to add alpha relative to benchmarks in both up and down markets. GPAM's investment

philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns over time as compared to such benchmark indexes. GPAM manages more than \$29 billion in investments for a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions. The Adviser is also a subsidiary of Guggenheim and is an affiliate of GPAM.

Guggenheim is a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions that have entrusted Guggenheim with the supervision of more than \$100 billion of assets.

Investment Strategy

Pursuant to the Interim Sub-Advisory Agreement, GPAM is responsible for the management of the Fund's portfolio, subject to the supervision of the Adviser and the Board. The Fund continues to seek its primary investment objective of seeking a high level of current income with a secondary objective of capital appreciation. However, the investment strategy utilized by GPAM to seek to achieve the Fund's investment objective differs from that previously utilized by Manning & Napier. GPAM seeks to achieve the Fund's investment objective by obtaining broadly diversified exposure to the equity markets and utilizing a covered call strategy developed by GPAM. GPAM's proprietary model seeks to utilize efficiencies from the tax characteristics of the Fund's portfolio through the management of the underlying instruments used to gain equity exposure, through management of the call option strike prices and maturities, and through management of the Fund's leverage. The Fund may seek to obtain exposure to equity markets through investments in exchange-traded funds or other investment funds that track equity market indices, through investments in individual equity securities and/or through derivative instruments that replicate the economic characteristics of exposure to equity securities or markets. In current market conditions, GPAM expects to seek to obtain exposure to equity markets by investing primarily in exchange-traded funds. The Fund has the ability to write call options on indices and/or securities which will typically be at or out-of-the money. GPAM's strategy typically targets one-month options, although options of any strike price or maturity may be utilized. The Fund seeks to achieve its primary investment objective of seeking a high level of current income through dividends paid on securities owned by the Fund and cash premiums received from selling options. Although the Fund will receive premiums from the options written, by writing a covered call option, the Fund forgoes any potential increase in value of the underlying securities above the strike price specified in an option contract through the expiration date of the option. To the extent GPAM's strategy seeks to achieve broad equity exposure through a portfolio of common stocks, the Fund would hold a diversified portfolio of stocks. To the extent GPAM's equity exposure strategy is implemented through investment in broad-based equity exchange-traded funds or other investment funds or derivative instruments that replicate the economic

characteristics of exposure to equity securities markets, the Fund's portfolio will seek indirectly to provide diversified equity market exposure through holdings in fewer investments. The Fund will ordinarily focus its investments in securities of U.S. issuers but may invest up to 15% of its total assets in U.S. dollar-denominated securities of foreign issuers. The Fund may invest in or seek exposure to equity securities of issuers of any market capitalization.

Pursuant to GPAM's strategy, the Fund intends to continue to utilize financial leverage. The goal of the use of financial leverage is to enhance shareholder value, consistent with the Fund's investment objective, and provide superior risk-adjusted returns. The Fund may utilize financial leverage up to the limits imposed by the 1940 Act. The 1940 Act generally limits the extent to which the Fund may utilize senior securities representing indebtedness to 33 1/3 % of the Fund's total assets at the time utilized. Also, under the 1940 Act, the Fund is not permitted to issue preferred shares unless immediately after such issuance the liquidation value of such preferred shares plus the aggregate amount of senior securities representing indebtedness does not exceed 50% of the Fund's total assets.

The Fund's use of financial leverage is intended to be flexible in nature and will be monitored and adjusted, from time to time, by the Adviser and GPAM. Under current market conditions, the Fund intends to utilize financial leverage in an amount not to exceed 30% of the Fund's total assets (including the proceeds of such financial leverage) at the time utilized. As of July 29, 2011, the Fund had financial leverage outstanding in an amount equal to 18.43% of the Fund's total assets (including the proceeds of such financial leverage). The Fund employs financial leverage through the issuance of senior securities represented by indebtedness, including through bank borrowing by the Fund or issuance by the Fund of notes, commercial paper or other forms of debt.

In addition, the Fund may engage in certain derivatives transactions that have characteristics similar to such senior securities. To the extent the terms of such transactions obligate the Fund to make payments, the Fund will "segregate" liquid securities or cash in a separate account with the custodian of the Fund to collateralize the positions in an amount at least equal to the current value of the amount then payable by the Fund under the terms of such transactions. As a result of such segregation or cover, the Fund does not intend to treat its obligations under such transactions as senior securities representing indebtedness for purposes of the 1940 Act, in accordance with releases and interpretive letters issued by the Securities and Exchange Commission (the "SEC"), or include such transactions in calculating the aggregate amount of the Fund's financial leverage.

The Fund may use a variety of derivative instruments (including both long and short positions) for hedging or risk management purposes or as part of its investment strategies, including options and futures contracts, options on futures contracts, forward contracts and swap agreements. The Fund may also purchase and sell forward contracts on foreign currencies. The Fund also may use derivatives to gain exposure to equity and other securities in which the Fund may invest. Generally, derivatives are financial contracts whose value depends upon, or is

derived from, the value of any underlying asset, reference rate or index, and may relate to, among others, individual securities, interest rates, currencies and related indexes. The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investment directly in securities and other more traditional investments. The Fund has not adopted a maximum percentage limit with respect to derivative transactions. However, the maximum levels of and types of derivative transactions used by the Fund will be monitored and approved by the Board of Trustees of the Fund.

In addition to the change in the Fund's non-fundamental investment strategy discussed above, in connection with the appointment of GPAM, the Board of Trustees approved changes to certain other non-fundamental investment policies of the Fund and provided notice of such changes to shareholders on March 16, 2011, effective May 16, 2011.

As a result, the Fund no longer has an investment policy of investing, under normal market conditions, at least 80% of its total assets in dividend-paying or other income-producing securities. Nor is it an investment policy of the Fund, under normal market conditions, to invest at least 65% of the Fund's total assets in dividend-paying common and preferred stocks.

Instead, the Fund has adopted a non-fundamental investment policy of, under normal market conditions, investing at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in equity securities. This policy may be changed by the Board, but no change currently is anticipated. If this policy changes, the Fund will provide shareholders at least 60 days' written notice before implementation of the change.

In addition, the Fund no longer has an investment policy of investing up to 10% of its total assets in securities of other open- or closed-end investment companies that invest primarily in securities of the types in which the Fund may invest directly. Instead, the Fund may invest without limitation in securities of other open- or closed-end investment companies, including exchange-traded funds. In current market conditions, GPAM expects to seek to obtain exposure to equity markets by investing primarily in exchange-traded funds. Investments in exchange-traded funds and other investment funds which invest at least 80% of their assets in equity securities or have investment objectives or strategies of tracking equity market indices will be included as investments in equity securities for the purpose of the Fund's investment policy of investing at least 80% of its assets in equity securities. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, which will be borne indirectly by shareholders of the Fund, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Accordingly, investment in other investment companies involves expense and fee layering.

Risks Associated with the Fund's Investment Strategy

Equity Securities and Related Market Risk. The market price of common stocks and other equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting equity securities markets generally, particular industries represented in those markets or the issuer itself. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of equity securities may also decline for a number of other reasons which directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. Equity securities generally have greater price volatility than bonds and other debt securities.

Other Investment Companies Risk. The Fund may invest in securities of other open-or closed-end investment companies, including ETFs. In current market conditions, GPAM expects to seek to obtain exposure to equity markets by investing primarily in exchange-traded funds. As a stockholder in an investment company, the Fund will bear its ratable share of that investment company's expenses, which will be borne indirectly by shareholders of the Fund, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Accordingly, investment in other investment companies involves expense and fee layering. In addition, these other investment companies may utilize financial leverage, in which case an investment would subject the Fund to additional risks associated with leverage.

Options Risk. There are various risks associated with the Fund's covered call option strategy. The purchaser of an index option written by the Fund has the right to any appreciation in the cash value of the index over the strike price on the expiration date. Therefore, as the writer of an index call option, the Fund forgoes the opportunity to profit from increases in the index over the strike price of the option. However, the Fund has retained the risk of loss (net of premiums received) should the price of the Fund's portfolio securities decline. Similarly, as the writer of a call option on an individual security held in the Fund's portfolio, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call but has retained the risk of loss (net of premiums received) should the price of the underlying security decline.

The value of options written by the Fund, which will be priced daily, will be affected by, among other factors, changes in the value of underlying securities (including those comprising an index), changes in the dividend rates of underlying securities, changes in interest rates, changes in the actual or perceived volatility of the stock market and underlying securities and the remaining time to an option's

expiration. The value of an option also may be adversely affected if the market for the option is reduced or becomes less liquid.

There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the Sub-Adviser will attempt to maintain for the Fund written call options positions on equity indexes whose price movements, taken in the aggregate, are closely correlated with the price movements of common stocks and other securities held in the Fund's equity portfolio. However, this strategy involves significant risk that the changes in value of the indexes underlying the Fund's written call options positions will not correlate closely with changes in the market value of securities held by the Fund. To the extent that there is a lack of correlation, movements in the indexes underlying the options positions may result in losses to the Fund, which may more than offset any gains received by the Fund from options premiums. In these and other circumstances, the Fund may be required to sell portfolio securities to satisfy its obligations as the writer of an index call option, when it would not otherwise choose to do so, or may choose to sell portfolio securities to realize gains to supplement Fund distributions. Such sales would involve transaction costs borne by the Fund and may also result in realization of taxable capital gains, including short-term capital gains taxed at ordinary income tax rates, and may adversely impact the Fund's after-tax returns.

There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or The Options Clearing Corporation (the "OCC") may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms. In the event that the Fund were unable to close out a call option that it had written on a portfolio security, it would not be able to sell the underlying security unless the option expired without exercise. To the extent that the Fund owns unlisted (or "over-the-counter") options, the Fund's ability to terminate these options may be more limited than with exchange-traded options and may involve enhanced risk that counterparties participating in such transactions will not fulfill their obligations.

The hours of trading for options may not conform to the hours during which the securities held by the Fund are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting underlying securities, such as extraordinary dividends, stock splits, mergers or other extraordinary distributions or events. A reduction in the exercise price of an option might reduce the Fund's capital appreciation potential on underlying securities held by the Fund.

The Fund's use of purchased put options on equity indexes as a hedging strategy would involve certain risks similar to those of written call options, including that the strategy may not work as intended due to a lack of correlation between changes in value of the index underlying the put option and changes in the market value of the Fund's portfolio securities. Further, a put option acquired by the Fund and not sold prior to expiration will expire worthless if the cash value of the index or market value of the underlying security at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which the options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Sub-Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose other sanctions.

Derivatives Risk. Derivatives are subject to a number of risks such as liquidity risk, equity securities risk, issuer risk, interest rate risk, credit risk, leveraging risk, counterparty risk, management risk and, if applicable, medium and smaller company risk. They also involve the risk of mispricing or improper valuation, the risk of ambiguous documentation and the risk that changes in the value of a derivative may not correlate perfectly with an underlying asset, interest rate or index. Suitable derivative transactions may not be available in all circumstances and there can be no assurance that the Fund will engage in these transactions to reduce exposure to other risks when that would be beneficial. The use of derivatives transactions may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment or may cause the Fund to hold a security that it

might otherwise sell. Additionally, amounts paid by the Fund as premiums and cash or other assets held in margin accounts with respect to derivatives transactions are not otherwise available to the Fund for investment purposes.

The Fund may enter into derivatives transactions that may in certain circumstances produce effects similar to leverage and expose the Fund to related risks. See “Financial Leverage Risk” below.

Counterparty Risk. The Fund will be subject to risk with respect to the counterparties to the derivative contracts purchased or sold by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in these circumstances. GPAM generally requires counterparties to have a minimum credit rating of A from Moody’s Investors Service, Inc. (or a comparable rating from another nationally recognized statistical rating organization) and monitors such rating on an ongoing basis.

Financial Leverage Risk. Use of financial leverage creates an opportunity for increased income and capital appreciation but, at the same time, creates special risks. There can be no assurance that a leveraging strategy will be utilized or will be successful. Financial leverage is a speculative technique that exposes the Fund to greater risk and increased costs than if it were not implemented. Increases and decreases in the value of the Fund’s portfolio will be magnified when the Fund uses financial leverage. As a result, financial leverage may cause greater changes in the Fund’s net asset value and returns than if financial leverage had not been used. The Fund will also have to pay interest on its indebtedness, if any, which may reduce the Fund’s return. This interest expense may be greater than the Fund’s return on the underlying investment, which would negatively affect the performance of the Fund.

During the time in which the Fund is utilizing financial leverage, the amount of the fees paid to the Adviser and the Sub-Adviser for investment advisory services will be higher than if the Fund did not utilize financial leverage because the fees paid will be calculated based on the Fund’s Managed Assets, including proceeds of financial leverage. This may create a conflict of interest between the Adviser and the Sub-Adviser and common shareholders. Common shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of financial leverage, which means that common shareholders effectively bear the entire advisory fee. In order to manage this conflict of interest, any use of financial leverage must be approved by the Board of Trustees and the Board of Trustees will receive regular reports from the Adviser and the Sub-Adviser regarding the Fund’s use of financial leverage and the effect of financial leverage on the management of the Fund’s portfolio and the performance of the Fund.

Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense and Fund expenses, that the market value of the securities sold by the Fund may decline

below the price at which the Fund is obligated to repurchase such securities and that the securities may not be returned to the Fund.

In addition, the Fund may engage in certain derivative transactions, including swaps, that have characteristics similar to leverage. To the extent the terms of any such transaction obligate the Fund to make payments, the Fund intends to earmark or segregate cash or liquid securities in an amount at least equal to the current value of the amount then payable by the Fund under the terms of such transactions or otherwise cover such transactions in accordance with applicable interpretations of the Staff of the SEC. To the extent the terms of any such transaction obligate the Fund to deliver particular securities to extinguish the Fund's obligations under such transactions, the Fund may "cover" its obligations under such transaction by either (i) owning the securities or collateral underlying such transactions or (ii) having an absolute and immediate right to acquire such securities or collateral without additional cash consideration (or, if additional cash consideration is required, having liquid securities or cash in a segregated account with the custodian of the Fund). Securities so segregated or designated as "cover" will be unavailable for sale by the Sub-Adviser (unless replaced by other securities qualifying for segregation or cover requirements), which may adversely effect the ability of the Fund to pursue its investment objective.

Recent economic and market events have contributed to severe market volatility and caused severe liquidity strains in the credit markets. If dislocations in the credit markets continue, the Fund's financial leverage costs may increase and there is a risk that the Fund may not be able to renew or replace existing financial leverage on favorable terms or at all. If the cost of financial leverage is no longer favorable, or if the Fund is otherwise required to reduce its financial leverage, the Fund may not be able to maintain distributions on common shares at historical levels and common shareholders will bear any costs associated with selling portfolio securities.

Medium and Smaller Company Risk. The general risks associated with the types of securities in which the Fund invests are particularly pronounced for securities issued by companies with medium and smaller market capitalizations. These companies may have limited product lines, markets or financial resources or they may depend on a few key employees. As a result, they may be subject to greater levels of credit, market and issuer risk. Securities of medium and smaller companies may trade less frequently and in lesser volume than more widely held securities and their values may fluctuate more sharply than other securities.

Foreign Investment Risk. Investments in securities of foreign issuers involve special risks. For example, the value of these investments may decline in response to unfavorable political and legal developments, unreliable or untimely information, or economic and financial instability. There may be less publicly available information about a foreign company than a U.S. company. Foreign companies are not generally subject to uniform accounting, auditing and financial standards and requirements comparable to those standards applicable to U.S.

companies. Foreign securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad. In addition, it may be difficult to effect repatriation of capital invested in certain countries. In addition, with respect to certain countries, there are risks of expropriation, confiscatory taxation, political or social instability or diplomatic developments that could affect assets of the Fund held in foreign countries. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing loss. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities. Similar foreign investment risks may apply to futures contracts and other derivative instruments in which the Fund invests that trade on foreign exchanges. The value of derivative and other instruments denominated in or that pay revenues in foreign currencies may fluctuate based on changes in the value of those currencies relative to the U.S. dollar, and a decline in applicable foreign exchange rates could reduce the value of such instruments held by the Fund. Foreign settlement procedures also may involve additional risks.

ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Inflation/Deflation Risk. Inflation risk is the risk that the value of assets or income from the Fund's investments will be worth less in the future as inflation decreases the value of payments at future dates. As inflation increases, the real value of the Fund's portfolio could decline. Deflation risk is the risk that prices throughout the economy decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Management Risk. The Fund is subject to management risk because it has an actively managed portfolio. The Sub-Adviser will apply investment techniques and risk analysis in making investment decisions for the Fund, but there can be no

guarantee that these will produce the desired results. The Fund will invest in securities that the Sub-Adviser believes are undervalued or mispriced as a result of recent economic events, such as market dislocations, the inability of other investors to evaluate risk and forced selling. If the Sub-Adviser's perception of the value of a security is incorrect, your investment in the Fund may lose value.

Portfolio Turnover Risk. Pursuant to Manning & Napier's investment strategy and GPAM's investment strategy, portfolio turnover rate was not and is not considered a limiting factor in the execution of investment decisions for the Fund and portfolio turnover may vary greatly from year to year. However, under GPAM's investment strategy the Fund's portfolio turnover rate is expected to be significantly higher than it was under Manning & Napier's investment strategy. As a result, the Fund will be subject to greater risks associated with high portfolio turnover as a result of the change in investment strategy. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. High portfolio turnover may result in an increased realization of net short-term capital gains by the Fund which, when distributed to shareholders, will be taxable as ordinary income. Additionally, in a declining market, portfolio turnover may create realized capital losses.

Legislation and Regulation Risk. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was signed into law in July 2010, has resulted in a significant revision of the U.S. financial regulatory framework. The Dodd-Frank Act covers a broad range of topics, including, among many others: a reorganization of federal financial regulators; the creation of a process designed to ensure financial system stability and the resolution of potentially insolvent financial firms; the enactment of new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and regulation of managers of private funds; the regulation of Rating Agencies; and the enactment of new federal requirements for residential mortgage loans. The regulation of various types of derivative instruments pursuant to the Dodd-Frank Act may adversely affect issuers of securities in which the Fund invests that utilize derivatives strategies for hedging or other purposes. The ultimate impact of the Dodd-Frank Act, and any resulting regulation, is not yet certain and issuers of securities in which the Fund invests may also be affected by the new legislation and regulation in ways that are currently unknown and unforeseeable. At any time after the date of this prospectus, legislation may be enacted that could negatively affect the assets of the Fund or the issuers of such assets. Changing approaches to regulation may have a negative impact on the Fund or entities in which the Fund invests. Legislation or regulation may also change the way in which the Fund itself is regulated. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to achieve its investment objective.

Risks Associated with Recent Market Developments. Global and domestic financial markets have experienced periods of unprecedented turmoil. The debt and equity capital markets in the United States have been negatively impacted by

significant write-offs in the financial services sector relating to sub-prime mortgages and the re-pricing of credit risk in the broadly syndicated market, among other things. These events, along with the deterioration of the housing market and the failure of major financial institutions led to worsening general economic conditions, which materially and adversely impacted the broader financial and credit markets, reduced the availability of debt and equity capital for the market as a whole and financial firms in particular and resulted in market interventions by the U.S. federal government. Such market conditions may increase the volatility of the value of securities owned by the Fund, may make it more difficult for the Fund to accurately value its securities or to sell its securities on a timely basis and may adversely affect the ability of the Fund to borrow for investment purposes and increase the cost of such borrowings, which would reduce returns to the common shareholders. These developments adversely affected the broader economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities owned by the Fund. Such developments could, in turn, reduce the value of securities owned by the Fund and adversely affect the net asset value of the Fund's common shares. In addition, the prolonged continuation or further deterioration of current market conditions could adversely impact the Fund's portfolio.

Recently markets have witnessed more stabilized economic activity as expectations for an economic recovery increased. However, risks to a robust resumption of growth persist. A return to unfavorable economic conditions or sustained economic slowdown could adversely impact the Fund's portfolio. Financial market conditions, as well as various social, political, and psychological tensions in the United States and around the world, have contributed to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets; and may cause further economic uncertainties or deterioration in the United States and worldwide. The Adviser and Sub-Adviser do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. and global economies and securities markets in the Fund's portfolio. The Adviser and Sub-Adviser intend to monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's investment objective, but there can be no assurance that it will be successful in doing so. Given the risks described above, an investment in Common Shares may not be appropriate for all prospective investors. A prospective investor should carefully consider his or her ability to assume these risks before making an investment in the Fund.

Government Intervention in Financial Markets. The instability in the financial markets discussed above has led the U.S. Government to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state, and other governments, their regulatory agencies, or self regulatory organizations may take actions that affect the regulation of the instruments in which the Fund invests, or the issuers of such instruments, in ways that are unforeseeable. Governments or their agencies may

also acquire distressed assets from financial institutions and acquire ownership interests in those institutions. The long-term implications of government ownership and disposition of these assets are unclear, and may have positive or negative effects on the liquidity, valuation and performance of the Fund's portfolio holdings.

Market Disruption and Geopolitical Risk. The aftermath of the war in Iraq and the continuing occupation of Iraq, instability in the Middle East and terrorist attacks in the United States and around the world have contributed to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties or deterioration in the United States and worldwide. The Adviser and Sub-Adviser do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. and global economies and securities markets.

Management of the Fund

The portfolio management personnel of the Sub-Adviser who are primarily responsible for the day-to-day management of the Fund's portfolio are: Jayson Flowers, Managing Director of the Sub-Adviser; Jamal Pesaran, Portfolio Sector Manager of the Sub-Adviser; Farhan Sharaff, Assistant Chief Investment Officer, Equities of the Sub-Adviser; Anne Walsh, Managing Director of the Sub-Adviser; and Scott Miner, Chief Investment Officer of the Sub-Adviser. Anne Walsh will serve as the lead portfolio manager of the Fund. The portfolio management personnel primarily responsible for the day-to-day management of the Fund's portfolio are supported by a team of equity analysts and risk managers.

Jayson Flowers. Mr. Flowers joined the Sub-Adviser in 2001, and serves as the Managing Director of GPAM, heading Guggenheim's Equity and Derivative Strategies. Mr. Flowers has more than 15 years experience in the financial markets with concentration in risk management and trading across various sectors of the capital structure. His investment experience ranges in expertise from structured product investments and asset backed securities, to trading U.S. Government agencies, foreign sovereign debt, commodities, indexed futures, derivative and global equity arbitrage. Prior to working for the Sub-Adviser, Mr. Flowers was a co-founder and partner of Adventure Capital (1998-2001), a boutique venture capital and merchant banking company. Previously Mr. Flowers was at Credit Suisse First Boston (1995-1998), Dominick & Dominick Inc. (1993-1995), and Coopers & Lybrand (1993). Mr. Flowers holds a BA in Economics from Union College.

Jamal Pesaran. Mr. Pesaran is a Portfolio Sector Manager covering equity and equity derivatives strategies. Prior to joining the Sub-Adviser, he was with Lehman Brothers (2005-2007) and then HSBC Securities (2007-2008) in equity derivatives sales covering hedge fund clients for the US and Pacific Rim markets. Mr. Pesaran was an options market-maker and portfolio manager from 1996-2004 notably with Goldman Sachs's Hull Trading Group (1998-2001) and UBS Investment Bank (2002-2004) in London and Frankfurt, respectively. Mr. Pesaran holds his MBA from UCLA Anderson Graduate School of Business and a Bachelor

of Science degree in Economics from Bristol University (U.K.). Mr. Pesaran joined Guggenheim in 2008.

Farhan Sharaff. Mr. Sharaff is the Assistant Chief Investment Officer, Equities of GPAM. Mr. Sharaff has more than 20 years of experience in investment research and investment management. Prior to joining the Sub-Adviser in June of 2009, he was a Partner and Chief Investment Officer at MJX Capital Advisors (2004-2009), a wealth management firm focused on providing advice and investment management for its clients, especially in the traditional and alternative asset classes. Prior to that, Mr. Sharaff served as the global Chief Investment Officer at CIGNA Corporation (2003-2004), Zurich Scudder Investments (1999-2003) and Citigroup (1984-1999). In all of the above engagements, Mr. Sharaff was responsible for research, investment management, product development and investment risk management. He was also a member of the business management teams at Citigroup and Zurich Scudder. Mr. Sharaff has a Bachelor of Science in Electrical Engineering from the University of Aston (U.K.) and an MBA in Finance from the Manchester Business School (U.K.). In addition, Mr. Sharaff sits on boards for CITIC Capital Asset Management, Clarfeld Financial Advisors, and Transparent Value Trust.

Anne Bookwalter Walsh. Ms. Walsh joined Guggenheim and the Sub-Adviser in 2007 and is a Senior Managing Director of GPAM. Prior to joining Guggenheim, she was Senior Vice President and the Chief Investment Officer for Reinsurance Group of America (2000-2007). Prior to that role, Ms. Walsh served as Vice President and Senior Investment Consultant for Zurich Scudder Investments. Earlier, she held roles at Lincoln Investment Management and American Bankers Insurance Group. Ms. Walsh received her BSBA and MBA from Auburn University and her JD from the University of Miami School of Law. She is a CFA Charter holder, a Fellow of the Life Management Institute and a member of the CFA Institute.

Scott Miner. Since 2001, Mr. Miner has served as Chief Investment Officer of the Sub-Adviser, guiding the investment strategies of the sector portfolio managers. He was formerly a Managing Director with Credit Suisse First Boston in charge of trading and risk management for the Fixed Income Credit Trading Group (1994-1996). In this position, he was responsible for the corporate bond, preferred stock, money markets, U.S. government agency and sovereign debt, derivatives securities, structured debt and interest-rate swaps trading business units. Previously, Mr. Miner was Morgan Stanley's London-based European Capital Markets Products Trading and Risk Manager responsible for Eurobonds, Euro-MTNs, domestic European Bonds, FRNs, derivative securities and money market products in 12 European currencies and Asian markets (1988-1994). Mr. Miner has also held capital markets positions with Merrill Lynch (1983-1988) and Continental Bank (1982-1983) and was a Certified Public Accountant working for Price Waterhouse (1980-1982). Mr. Miner holds a BS degree in Economics from the Wharton School, University of Pennsylvania and has completed graduate work at

both the University of Chicago Graduate School of Business and the Wharton School, University of Pennsylvania.

Manning & Napier Sub-Advisory Agreement

Manning & Napier previously served as the Fund's investment sub-adviser pursuant to the Manning & Napier Sub-Advisory Agreement. The Manning & Napier Sub-Advisory Agreement was most recently approved by the Board on June 16, 2010.

On March 7, 2011, the Board approved the termination of the Manning & Napier Sub-Advisory Agreement and the Adviser provided notice to Manning & Napier of such termination, effective as of May 16, 2011. See "—Board Considerations" for a discussion of the Board's considerations in terminating the Manning & Napier Sub-Advisory Agreement and approving the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement.

Interim Sub-Advisory Agreement

Rule 15a-4 under the 1940 Act permits the Board (including a majority of the Independent Trustees) to approve and enter into the Interim Sub-Advisory Agreement pursuant to which GPAM may serve as investment sub-adviser to the Fund for up to 150 days from the termination of the Manning & Napier Sub-Advisory Agreement, pending receipt of shareholder approval of the New Sub-Advisory Agreement.

Based upon the considerations described below under "—Board Considerations," the Board, including the Independent Trustees, approved the Interim Sub-Advisory Agreement on March 7, 2011. The Interim Sub-Advisory Agreement was entered into and became effective upon the termination of the Manning & Napier Sub-Advisory Agreement on May 16, 2011.

There are no material differences between the terms of the Interim Sub-Advisory Agreement and the terms of the New Sub-Advisory Agreement, except that the Interim Sub-Advisory Agreement terminates upon the earlier of (i) the 150th day following the termination of the Manning & Napier Sub-Advisory Agreement or (ii) the effectiveness of the New Sub-Advisory Agreement.

New Sub-Advisory Agreement

It is proposed that the Fund, the Adviser and GPAM enter into the New Sub-Advisory Agreement, to become effective upon the date of shareholder approval. Under Section 15(a) of the 1940 Act, the New Sub-Advisory Agreement requires the approval of (i) the Board, including a majority of the Trustees who are not "interested persons" of any party to the New Sub-Advisory Agreement, and (ii) the shareholders of the Fund. Based upon the considerations described below under "—Board Considerations," the Board, including all of the Independent Trustees, approved the New Sub-Advisory Agreement on March 7, 2011.

Except as noted below (including with respect to the sub-advisory fee discussed below under the heading "—Sub-Advisory Fee," the terms of the New

Sub-Advisory Agreement are substantially similar to the terms of the Manning & Napier Sub-Advisory Agreement. A copy of the New Sub-Advisory Agreement is attached hereto as Appendix A and the description of the New Sub-Advisory Agreement is qualified in its entirety by reference to Appendix A.

Under the New Sub-Advisory Agreement, pursuant to the oversight and supervision of the Adviser and the direction and control of the Board, GPAM will perform certain of the day-to-day operations of the Fund which may include one or more of the following services at the request of the Adviser: (i) managing the investment and reinvestment of the Fund's assets in accordance with the investment policies of the Fund; (ii) arranging for the purchase and sale of securities and other assets for the Fund; (iii) providing investment research and credit analysis concerning the Fund's assets; (iv) placing orders for purchases and sales of the Fund's assets; (v) maintaining the books and records as are required to support Fund investment operations; (vi) monitoring on a daily basis the investment activities and portfolio holdings relating to the Fund; and (vii) voting proxies relating to the Fund's portfolio securities in accordance with GPAM's proxy voting policies and procedures. At the request of the Adviser, GPAM will also, subject to the oversight and supervision of the Adviser and the direction and control of the Board, consult with the Adviser as to the overall management of the Fund's assets and the investment policies and practices of the Fund. The nature of the services to be performed by GPAM pursuant to the New Sub-Advisory Agreement are expected to be substantially similar to the services performed by Manning & Napier under the Manning & Napier Sub-Advisory Agreement.

The initial term of the New Sub-Advisory Agreement will be a period of one year, upon approval by shareholders. The New Sub-Advisory Agreement shall continue from year to year after the initial term if approved annually (i) by the Board or the holders of a majority of the outstanding voting securities of the Fund and (ii) by a majority of the Trustees who are not "interested persons" of any party to the New Sub-Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. These provisions of the New Sub-Advisory Agreement are substantially similar to the corresponding provisions of the Manning & Napier Sub-Advisory Agreement.

The New Sub-Advisory Agreement provides that GPAM will not be liable for any error of judgment or mistake of law or for any loss suffered by GPAM, the Adviser or by the Fund (including, without limitation, by reason of the purchase, sale or retention of any investments for the Fund) in connection with the performance of GPAM's obligations under this Agreement, except a loss resulting from GPAM's breach of fiduciary duty with respect to GPAM's receipt of compensation for services or a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard by it of its duties under the New Sub-Advisory Agreement. These provisions of the New Sub-Advisory Agreement are substantially similar to the corresponding provisions of the Manning & Napier Sub-Advisory Agreement.

The New Sub-Advisory Agreement provides that pursuant to a Trademark Sub-License Agreement between the Adviser and GPAM, GPAM has consented to the use by the Fund of the name or identifying word “Guggenheim” in the name of the Fund. Manning & Napier had granted a similar consent in the Manning & Napier Sub-Advisory Agreement.

The New Sub-Advisory Agreement may be terminated by the Fund upon 60 days’ notice to the Sub-Adviser provided that the termination is directed or approved by (i) the vote of a majority of the Board then in office or (ii) the vote of the holders of a majority of the voting securities of the Fund then outstanding and entitled to vote. The New Sub-Advisory Agreement may also be terminated by the Sub-Adviser upon 60 days’ written notice to the Fund, and will terminate automatically upon any termination of the investment advisory agreement between the Fund and the Adviser. These provisions of the New Sub-Advisory Agreement are substantially similar to the corresponding provisions of the Manning & Napier Sub-Advisory Agreement. Unlike the Manning & Napier Sub-Advisory Agreement, the New Sub-Advisory Agreement will also terminate upon termination of the investment advisory agreement among the Fund and the Adviser.

Sub-Advisory Fee

The Adviser pays the investment sub-advisory fee out of the advisory fee received by the Adviser. The fees payable by the Adviser to GPAM are equal to or less than the fees payable by the Adviser to Manning & Napier. Pursuant to the Manning & Napier Sub-Advisory Agreement, the Adviser paid to Manning & Napier a contractual sub-advisory fee at an annual rate equal to (i) 0.33% of the Fund’s average daily Managed Assets until June 17, 2011 and (ii) 0.42% of the Fund’s average daily Managed Assets thereafter. Pursuant to the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement, the Adviser pays to GPAM a contractual sub-advisory fee at an annual rate equal to (i) 0.33% of the Fund’s average daily Managed Assets until June 17, 2011 and (ii) 0.40% of the Fund’s average daily Managed Assets thereafter.

As used in each of the Fund’s investment advisory agreement, the Manning & Napier Sub-Advisory Agreement, the Interim Advisory Agreement and the New Advisory Agreement, “Managed Assets” of the Fund means the total assets of the Fund (including the assets attributable to the proceeds from any financial leverage) minus the sum of the accrued liabilities (other than the aggregate indebtedness constituting financial leverage). Managed Assets shall include assets attributable to financial leverage of any kind, including, without limitation, borrowing (including through a credit facility, the issuance of debt securities or the purchase of residual interest bonds), the issuance of preferred securities, the reinvestment of collateral received for securities loaned in accordance with the Fund’s investment objectives and policies, and/or any other means.

Pro Forma Fee Table

The table below provides a summary comparison of the expenses of the Fund for the fiscal year ended October 31, 2010 and on a pro forma basis after giving effect

to the changes in the Fund's investment strategy and investment sub-adviser. The purpose of the table is to help you understand the fees and expenses that you, as a common shareholder, would bear directly or indirectly. The Fund's actual expenses may vary from the estimated pro forma expenses shown in the table.

Annual Expenses as a Percentage of Net Assets Attributable to Common Shares

Annual Expenses	Fiscal Year ended October 31, 2010	Pro Forma
Management fees(1)	1.22%(2)	1.21%(3)
Interest payments on borrowed funds	0.50%	0.43%(4)
Other expenses	1.07%(5)	0.74%(6)
Acquired fund fees and expenses	0.00%	0.28%(7)
Total annual expenses	2.79%	2.66%

- (1) The Fund pays an investment advisory fee to the Adviser in an annual amount equal to 0.85% of the Fund's average daily Managed Assets. Common shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of financial leverage, which means that common shareholders effectively bear the entire advisory fee.
- (2) The Adviser previously agreed to waive 0.08% of the investment advisory fee. This waiver expired on June 17, 2011. Such waiver is not reflected in the above table.
- (3) Effective as of June 18, 2011, and for so long as the investment sub-adviser of the Fund is an affiliate of the Adviser, the Adviser has agreed to waive 0.05% of its advisory fee. Such waiver is not reflected in the above table.
- (4) Assumes that the Fund utilizes financial leverage in an amount equal to 30% of the Fund's Managed Assets (including the proceeds of such financial leverage) and an annual interest rate of 1.00%. Pursuant to GPAM's investment strategy, the amount of financial leverage utilized by the Fund and the interest rate payable by the Fund with respect to such financial leverage may vary over time.
- (5) "Other Expenses" for the fiscal year ended October 31, 2010, include extraordinary expenses incurred in connection with the Fund's tender offer to repurchase approximately 45% of its issued and outstanding common shares in January 2010.
- (6) Based on estimated amounts for the current fiscal year after giving effect to the changes in the Fund's investment strategy and investment sub-adviser. Includes costs associated with the change of investment sub-adviser of \$125,000 to be incurred by the Fund.
- (7) Based on estimated amounts for the current fiscal year after giving effect to the changes in the Fund's investment strategy and investment sub-adviser.

Additional Information Regarding GPAM

Chief Executive Officer. The Chief Executive Officer of GPAM is Scott Miner, 100 Wilshire Boulevard, Suite 500, Santa Monica, California 90401.

Other Funds Advised by GPAM. As of the Record Date, GPAM acted as investment sub-adviser with respect to one other registered investment company having similar investment objectives as the Fund

Fund	Managed Assets	Sub-Advisory Fee
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Guggenheim Enhanced Equity Income Fund ("GPM")	\$236 million(1)	0.40%
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(1) As of July 1, 2011.

Relationships with the Fund. No officer or Trustee of the Fund is an officer, employee, director, general partner or shareholder of GPAM or has any

28

material direct or indirect interest in GPAM or any other person controlling, controlled by or under common control with GPAM. Officers of the Fund, as disclosed herein under “Proposal 2: Election of Trustees—Executive Officers” are employees or officers of the Adviser, an affiliate of GPAM.

No Trustee of the Fund had any material interest, direct or indirect, in any material transactions since January 1, 2009, or in any material proposed transactions, to which GPAM, or any affiliated person of GPAM, was or is to be a party.

During the fiscal year ended October 31, 2010, the Fund paid the following fees to the Adviser, an affiliate of GPAM:

Advisory fees: \$1,111,021 (of which \$389,722 was paid to Manning & Napier as sub-advisory fees)

Administration fees: \$35,887

The Fund will continue to pay advisory fees and administration fees to the Adviser following the effectiveness of the Interim Sub-Advisory Agreement and New Sub-Advisory Agreement.

During the fiscal year ended October 31, 2010, the Fund paid no commissions to brokers affiliated with GPAM.

Board Considerations

Prior to the March 7, 2011, meeting of the Board, the Board considered various strategic alternatives for the Fund, in light of the Fund’s distribution rate and market price discount to net asset value and the tax characteristics of the Fund. In connection with this review, the Board considered the Adviser’s view that there is often a correlation between the level of a closed-end fund’s distribution rate and the market price at which it trades relative to net asset value, with a higher distribution rate having the effect of positively impacting the market price. The Board also considered the Adviser’s view that funds that invest primarily in equities and utilize a strategy with relatively low portfolio turnover, such as the Fund under the strategy employed by Manning & Napier, generally generate lower income and generally offer lower distribution rates than other equity strategies used by closed-end funds. The Adviser provided the Board with a memorandum outlining its recommendation to modify the Fund’s investment strategies (as described herein) and retain GPAM as sub-adviser. On the basis of its evaluation, the Board concluded that the new investment strategy (as described herein) and the implementation of such investment strategy by GPAM would be in the best interest of the Fund and its shareholders, in light of the potential for the investment strategy to increase the earnings of the Fund, which may result in an increase in the amount of quarterly distributions payable by the Fund, and the tax characteristics of the Fund.

On March 7, 2011, the Board met in person to consider the approval of: (1) an interim investment sub-advisory agreement (“Interim Sub-Advisory Agreement”) among the Fund, the Adviser and GPAM and (2) an investment sub-advisory agreement (“Sub-Advisory Agreement”) among the Adviser, the Fund and GPAM. The Interim Sub-Advisory Agreement and the Sub-Advisory Agreement

are together referred to as the “Advisory Agreements.” As part of its review process, the Board (all the members of which are not “interested persons” of the Adviser or GPAM, as defined in the Investment Company Act of 1940, as amended) was represented by independent legal counsel. The Board reviewed materials received from the Adviser, GPAM and independent legal counsel. The members of the Board also had previously received, throughout the year, information regarding performance and operating results of the Fund.

To assist the Board in assessing the nature and quality of services to be provided by GPAM, GPAM provided information about its organization, information comparing the investment performance of GPAM’s proposed strategy for the Fund, sub-advisory fees proposed to be received, fees that GPAM charges to other clients and the compliance program of GPAM, among other information. The Board determined that it was in the best interests of the Fund to terminate the Manning & Napier Sub-Advisory Agreement and to approve the Interim Sub-Advisory Agreement and the Sub-Advisory Agreement with GPAM. In reaching the conclusion to approve the Interim Sub-Advisory Agreement and the Sub-Advisory Agreement with GPAM, no single factor was determinative in the Board’s analysis, but rather the Board considered a variety of factors, including the following.

With respect to the nature, extent and quality of services to be provided by GPAM, the Board considered the qualifications, experience and skills of GPAM’s portfolio management and other key personnel. The Board considered GPAM’s ability to achieve the Fund’s primary investment objective of seeking a high level of current income with a secondary objective of capital appreciation, and noted information provided by the Adviser regarding GPAM’s performance relative to the performance of other advisers and funds employing a covered call strategy. The Board considered the close collaboration between the Adviser and GPAM, an affiliate of the Adviser, in re-examining the Fund’s investment strategy to allow the effective utilization of the capital loss carryforwards, the potential to increase the distribution rate and thereby decrease the Fund’s market price discount to net asset value and the potential to stabilize and grow the Fund’s net asset value. The Board also considered that the Adviser and GPAM intended that the Fund continue to employ leverage.

In evaluating investment performance, the Board reviewed information provided by the Adviser including the return of GPAM’s covered call strategy, over the one month, six month, one year, three year and five year periods ended December 31, 2010, compared to the returns of other open-end and closed-end covered call funds and the return of the S&P 500 Index and the CBOE S&P 500 BuyWrite Index for the same periods.

The Board reviewed the sub-advisory fee proposed to be paid by the Adviser to GPAM and compared it to the fees charged by GPAM to other accounts with investment strategies comparable to the strategy proposed for the Fund. The Board noted that GPAM would be paid a sub-advisory fee under the Interim Sub-Advisory Agreement at a rate to reflect continuation of a fee waiver in effect through June 17, 2011. The Board considered that the Adviser had agreed to lower the annual advisory fee paid by the Fund by 0.05% effective June 17, 2011, for so

long as the Fund's sub-advisory contract is with an affiliate of the Adviser resulting in a net fee on managed assets of 0.80%.

With respect to the costs of services to be provided and profits to be realized by GPAM from its relationship with the Fund, the Board considered that GPAM was compensated by the Adviser and that the overall contractual advisory fee would be reduced by 0.05%.

The Board considered that the Adviser had agreed that the Fund would bear only a portion of the expenses of seeking shareholder approval of the change in the Fund's investment sub-adviser. The cost of seeking shareholder approval of the change in the Fund's investment sub-adviser will be borne equally by the Fund and the Adviser, with a maximum out-of-pocket cost to the Fund of \$125,000.

The Board reviewed the extent to which economies of scale with respect to the sub-advisory services provided to the Fund would be realized as the Fund grows and whether fee levels reflect a reasonable sharing of such economies of scale for the benefit of Fund investors. Given the size of the Fund and the relatively fixed nature of closed-end fund assets, the Board did not anticipate significant economies of scale.

The Board considered other benefits to be derived by GPAM from its relationship with the Fund. The Board noted GPAM's statement that it does not enter into soft dollar arrangements and that it is not aware of any other benefits from its relationship with the Fund other than that it is an affiliate of the Adviser.

Based upon all of the information considered and the conclusions reached, the Board determined that the terms of the Advisory Agreements are fair and reasonable and that the approval of the Advisory Agreements is in the best interests of the Fund, taking into consideration such factors as it deemed appropriate in the exercise of its business judgment.

Shareholder Approval

The New Sub-Advisory Agreement must be approved by the lesser of the vote of (i) 67% or more of the outstanding voting securities of the Fund entitled to vote thereon present at the Annual Meeting or represented by proxy, provided that the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of the Fund entitled to vote thereon. Abstentions will have the same effect as votes against Proposal 1. "Broker non-votes" (i.e. Shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owner or the persons entitled to vote and (ii) the broker does not have discretionary voting power on a particular matter) will have the same effect as votes against Proposal 1.

Board Recommendation

The Board, including all of the Independent Trustees, unanimously recommends that you vote "FOR" the approval of the New Sub-Advisory Agreement.

PROPOSAL 2: ELECTION OF TRUSTEE

The Fund's Shares are listed on the NYSE, which requires the Fund to hold an annual meeting of shareholders to elect Trustees each fiscal year. Shareholders of the Fund are being asked to elect Mr. Randall C. Barnes as a Class I Trustee to serve until the Fund's 2014 annual meeting of shareholders or until his successor shall have been elected and qualified.

Composition of the Board of Trustees

The Trustees of the Fund are classified into three classes: Class I Trustee, Class II Trustees and Class III Trustees.

CLASS I TRUSTEE

-Mr. Randall C. Barnes is the Class I Trustee. Mr. Barnes is standing for election at the annual meeting. If elected the term of the Class I Trustee of the Fund will continue until the Fund's 2014 annual meeting of shareholders or until his successor shall have been elected and qualified.

CLASS II TRUSTEES

-Mr. Roman Friedrich III and Mr. Ronald A. Nyberg are the Class II Trustees. The term of the Class II Trustees of the Fund will continue until the Fund's 2012 annual meeting of shareholders or until successors shall have been elected and qualified.

CLASS III TRUSTEES

-Mr. Robert B. Karn III and Mr. Ronald E. Toupin, Jr. are the Class III Trustees. The term of the Class III Trustees of the Fund will continue until the Fund's 2013 annual meeting of shareholders or until successors shall have been elected and qualified.

Generally, the Trustees of only one class are elected at each annual meeting of shareholders, so that the regular term of only one class of Trustees will expire annually and any particular Trustee stands for election only once in each three year period. The trustee nominee elected at the annual meeting as a Class I Trustee of the Fund will hold office until the Fund's 2014 annual meeting of shareholders or until his successor shall have been elected and qualified. The other Trustees of the Fund will continue to serve under their current terms as described above. Unless authority is withheld, it is the intention of the person named in the proxy to vote the proxy "FOR" the election of the trustee nominee named above. The trustee nominee nominated by the Board has indicated that he has consented to serve as a Trustee if elected at the Annual Meeting. If a designated trustee nominee declines or otherwise becomes unavailable for election, however, the proxy confers discretionary power on the persons named therein to vote in favor of a substitute nominee or nominees.

Trustees

Certain information concerning the Trustees and officers of the Fund is set forth in the tables below. Independent Trustees are those who are not interested persons of the Fund, the Adviser or the Sub-Adviser, and comply with the

definition of “independent” (as defined in Rule 10A-3 under the Securities Exchange Act of 1934, as amended) (the “Independent Trustees”).

The Fund is part of a fund complex (referred to herein as the “Fund Complex”) that consists of U.S. registered investment companies advised or serviced by the Adviser or its affiliates. As of the date of this Proxy Statement, the Fund Complex is composed of 15 closed-end funds, including the Fund, and 43 exchange-traded funds. The Fund Complex is overseen by multiple boards of trustees.

Name, Address(1) and Age	Position(s) Held with Fund	Term of Office(2) and Length of Time Served	Principal Occupation During The Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee	Other Directorships held by Trustee
INDEPENDENT TRUSTEES:					
Randall C. Barnes(3) Year of birth: 1951	Trustee	Trustee since 2010	Private Investor (2001-Present). Formerly, Senior Vice President & Treasurer PepsiCo, Inc. (1993-1997), President, Pizza Hut International (1991-1993) and Senior Vice President, Strategic Planning and New Business Development, PepsiCo, Inc. (1987-1990).	.54	None.
Roman Friedrich III Year of birth: 1946	Trustee	Trustee since 2003	Senior Managing Director of McNicoll, Lewis & Vlak, an investment bank and institutional broker-dealer specializing in capital intensive industries such as energy, metals and mining (2010- present). Founder and President of Roman Friedrich & Company, Ltd. a	48	Director, Zincore Metals Inc. (2009- present), Axiom Gold and Silver (2011-present) and Windstorm Resources Inc. (2011-present).

			mining and metals investment bank (1998-present)		
Robert B. Karn III	Trustee	Trustee	Consultant (1998-present). Previously, Managing Partner, Financial and Economic Consulting, St. Louis office of Arthur Andersen, LLP.	48	Director of Peabody Energy Company (2003-present) and GP Natural Resource Partners LLC (2002-present).
Year of birth: 1942		since 2010			
Ronald A. Nyberg	Trustee	Trustee	Partner of Nyberg & Cassioppi, LLC, a law firm specializing in Corporate Law, Estate Planning and Business Transactions (2000-present). Formerly, Executive Vice President, General Counsel and Corporate Secretary of Van Kampen Investments (1982-1999).	56	None.
Year of birth: 1953		since 2003			
Ronald E. Toupin, Jr.	Trustee	Trustee	Portfolio Consultant (2010-present). Formerly, Vice President, Manager and Portfolio Manager of Nuveen Asset Management (1998-1999), Vice President of Nuveen Investment Advisor Corporation (1992-1999), Vice President and Manager of Nuveen Unit Investment Trusts (1991-1999) and Assistant Vice President and Portfolio Manager of Nuveen Unit Investment Trusts (1988-1999), each of John Nuveen & Company, Inc. (1982-1999).	53	Trustee, Bennett Group of Funds (2011 - present).
Year of birth: 1958		since 2003			

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

- (2) Each Trustee is generally expected to serve a three year term concurrent with the class of Trustees for which he serves.
- (3) Nominee for election as a Trustee at the Annual Meeting.

Trustee Qualifications

The Trustees were selected to serve and continue on the Board based upon their skills, experience, judgment, analytical ability, diligence, ability to work effectively with other Trustees, availability and commitment to attend meetings and perform the responsibilities of a Trustee and, for each Independent Trustee, a demonstrated willingness to take an independent and questioning view of management.

The following is a summary of the experience, qualifications, attributes and skills of each Trustee that support the conclusion, as of the date of this proxy statement, that each Trustee should serve as a Trustee in light of the Fund's business and structure. References to the qualifications, attributes and skills of Trustees are pursuant to requirements of the SEC, do not constitute holding out of the Board or any Trustee as being an expert under Section 7 of the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

Randall C. Barnes. Mr. Barnes has served as a Trustee of the Fund since 2010 and other funds in the Fund Complex since 2004. Mr. Barnes also serves on the board of certain Claymore Investments, Inc. (an affiliate of the Adviser) sponsored Canadian funds. Through his service as a Trustee, his employment experience as President of Pizza Hut International and as Treasurer of PepsiCo, Inc. and his personal investment experience, Mr. Barnes is experienced in financial, accounting, regulatory and investment matters.

Roman Friedrich III. Mr. Friedrich has served as a Trustee of the Fund and other funds in the Fund Complex since 2003. Mr. Friedrich also serves on the board of certain Claymore Investments, Inc. (an affiliate of the Adviser) sponsored Canadian funds. Through his service as a Trustee, his service on other public company boards, his experience as Managing Director of McNicoll, Lewis & Vlak, an investment bank and institutional broker-dealer; his experience as founder and President of Roman Friedrich & Company, a financial advisory firm; and his prior experience as a senior executive of various financial securities firms, Mr. Friedrich is experienced in financial, investment and regulatory matters.

Robert B. Karn III. Mr. Karn has served as a Trustee of the Fund since 2010 and other funds in the Fund Complex since 2004. Through his service as a Trustee of the Fund and as chairperson of the Audit Committee, his service on other public and private company boards, his experience as an accountant and consultant, and his prior experience, including Managing Partner of the Financial and Economic Consulting Practice of the St. Louis office at Arthur Andersen, LLP, Mr. Karn is experienced in accounting, financial, investment and regulatory matters.

Ronald A. Nyberg. Mr. Nyberg has served as a Trustee of the Fund and other funds in the Fund Complex since 2003. Through his service as a Trustee of the Fund and as chairman of the Nominating & Governance Committee, his professional training and experience as an attorney and partner of a law firm,

Nyberg & Cassioppi LLC, and his prior employment experience, including Executive Vice President and General Counsel of Van Kampen Investments, an asset management firm, Mr. Nyberg is experienced in financial, regulatory and governance matters.

Ronald E. Toupin, Jr. Mr. Toupin has served as a Trustee of the Fund and other funds in the Fund Complex since 2003. Through his service as a Trustee of the Fund and as chairman of the Board, and his professional training and employment experience, including Vice President and Portfolio Manager for Nuveen Asset Management, an asset management firm, Mr. Toupin is experienced in financial, regulatory and investment matters.

Each Trustee also now has considerable familiarity with the Fund, the Adviser, the Sub-Adviser and other service providers, and their operations, as well as the special regulatory requirements governing regulated investment companies and the special responsibilities of investment company trustees as a result of his substantial prior service as a Trustee of the Fund and/or other funds in the Fund Complex.

Executive Officers

The following information relates to the executive officers of the Fund who are not Trustees. The Fund's officers receive no compensation from the Fund but may also be officers or employees of the Adviser, the Sub-Adviser or affiliates of the Adviser or the Sub-Adviser and may receive compensation in such capacities.

Name, Address(1) and Age Year of birth:	Title	Term of Office(2) and Length of Time Served	Principal Occupation During the Past Five Years
Kevin M. Robinson Year of birth: 1959	Chief Executive Officer and Chief Legal Officer	Since 2008	Senior Managing Director, General Counsel and Corporate Secretary of Guggenheim Funds Investment Advisors, LLC. Guggenheim Funds Distributors, Inc. and Guggenheim Funds Services Group, Inc. (2007-present); Chief Executive Officer and Chief Legal Officer of certain funds in the Fund Complex. Formerly, Associate General Counsel of NYSE Euronext, Inc. (2000-2007). Formerly, Archipelago Holdings, Inc. Senior Managing Director and Associate General Counsel of ABN Amro Inc. (1997-2000). Formerly, Senior Counsel in the Enforcement Division of the U.S. Securities and Exchange Commission (1989-1997).
John Sullivan Year of birth: 1955	Chief Financial Officer, Chief Accounting Officer	Since 2011	Senior Managing Director of Guggenheim Funds Investment Advisors, LLC and Guggenheim Funds Distributors, Inc. (2010 – present). Chief Financial Officer, Chief Accounting Officer and Treasurer of certain funds in the Fund Complex. Previously, Chief

and