GUGGENHEIM STRATEGIC OPPORTUNITIES FUND
Form N-CSRS
February 07, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-21982
Guggenheim Strategic Opportunities Fund
(Exact name of registrant as specified in charter)
227 W. Monroe Street, Chicago, IL 60606
(Address of principal executive offices) (Zip code)
Amy J. Lee
227 W. Monroe Street, Chicago, IL 60606
(Name and address of agent for service)
Registrant's telephone number, including area code: (312) 827-0100
Date of fiscal year end: May 31
Date of reporting period: June 1, 2017 - November 30, 2017

Item 1. Reports to Stockholders.
The registrant's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940, as amended (the "Investment Company Act"), is as follows:

GUGGENHEIMINVESTMENTS.COM/GOF

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

The shareholder report you are reading right now is just the beginning of the story.

Online at guggenheiminvestments.com/gof, you will find:

- Daily, weekly and monthly data on share prices, net asset values, distributions and more

- Portfolio overviews and performance analyses

- Announcements, press releases and special notices

- Fund and adviser contact information

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

(Unaudited) November 30, 2017

DEAR SHAREHOLDER

We thank you for your investment in the Guggenheim Strategic Opportunities Fund (the "Fund"). This report covers the Fund's performance for the six-month period ended November 30, 2017.

The Fund's investment objective is to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy. The Fund's sub-adviser seeks to combine a credit-managed fixed-income portfolio with access to a diversified pool of alternative investments and equity strategies.

All Fund returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the six-month period ended November 30, 2017, the Fund provided a total return based on market price of 8.80% and a total return based on NAV of 5.33%. As of November 30, 2017, the Fund's market price of $21.60 represented a premium of 9.48% to its NAV of $19.73.

Past performance is not a guarantee of future results. All NAV returns include the deduction of management fees, operating expenses, and all other Fund expenses. The market price of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV.

From June 2017 through November 2017, the Fund paid a monthly distribution of $0.1821. The latest distribution represents an annualized distribution rate of 10.12% based on the Fund's closing market price of $21.60 on November 30, 2017. The Fund's distribution rate is not constant and the amount of distributions, when declared by the Fund's Board of Trustees, is subject to change based on the performance of the Fund. Please see Note 2(e) on page 49 for more information on distributions for the period.

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

We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan ("DRIP"), which is described in detail on page 71 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund's common shares is at a premium above NAV, the DRIP reinvests participants' dividends in newly-issued common shares at the greater of NAV per share or 95% of the market price per share. The DRIP provides a cost-effective means to accumulate additional shares and enjoy the benefits of compounding returns over time. Since the Fund endeavors to maintain a stable monthly distribution, the DRIP effectively provides an income averaging technique which causes shareholders to accumulate a larger number of Fund shares when the market price is depressed than when the price is higher.

To learn more about the Fund's performance and investment strategy, we encourage you to read the Questions & Answers section of this report, which begins on page 5. You'll find information on GPIM's investment philosophy, views on the economy and market environment, and detailed information about the factors that impacted the Fund's performance.

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

Sincerely,

Guggenheim Funds Investment Advisors, LLC

December 31, 2017

QUESTIONS & ANSWERS (Unaudited) November 30, 2017

Guggenheim Strategic Opportunities Fund ("Fund") is managed by a team of seasoned professionals at Guggenheim Partners Investment Management, LLC ("GPIM"). This team includes B. Scott Minerd, Chairman of Guggenheim Investments and Global Chief Investment Officer; Anne B. Walsh, CFA, JD, Senior Managing Director and Assistant Chief Investment Officer; James W. Michal, Senior Managing Director and Portfolio Manager; and Steven H. Brown, CFA, Managing Director and Portfolio Manager. In the following interview, the investment team discusses the market environment and the Fund's performance for the six-month period ended November 30, 2017.

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

The Fund seeks to maximize total return through a combination of current income and capital appreciation. The Fund pursues a relative value-based investment philosophy, which utilizes quantitative and qualitative analysis.

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

Under normal market conditions:

- The Fund may invest without limitation in fixed-income securities rated below investment grade (commonly referred to as "junk bonds"); the Fund may invest in below-investment grade income securities of any rating;
- The Fund may invest up to 20% of its total assets in non-U.S. dollar denominated fixed-income securities of corporate and governmental issuers located outside the U.S., including up to 10% of total assets in fixed-income securities of issuers located in emerging markets;

QUESTIONS & ANSWERS (Unaudited) continued November 30, 2017

- The Fund may invest up to 50% of its total assets in common equity securities, and the Fund may invest in exchange-traded funds ("ETFs") or other investment funds that track equity market indices and/or through derivative instruments that replicate the economic characteristics of exposure to Common Equity Securities; and
- The Fund may invest up to 30% of its total assets in investment funds that primarily hold (directly or indirectly) investments in which the Fund may invest directly, of which amount up to 30% of the Fund's total assets may be invested in investment funds that are registered as investment companies under the Investment Company Act of 1940 (the "1940 Act") to the extent permitted by applicable law and related interpretations of the staff of the U.S. Securities and Exchange Commission.

GPIM's process for determining whether to buy a security is a collaborative effort between various groups including: (i) economic research, which focus on key economic themes and trends, regional and country-specific analysis, and assessments of event-risk and policy impacts on asset prices, (ii) the Portfolio Construction Group, which utilize proprietary portfolio construction and risk modeling tools to determine allocation of assets among a variety of sectors, (iii) its Sector Specialists, who are responsible for identifying investment opportunities in particular securities within these sectors, including the structuring of certain securities directly with the issuers or with investment banks and dealers involved in the origination of such securities, and (iv) portfolio managers, who determine which securities best fit the Fund based on the Fund's investment objective and top-down sector allocations. In managing the Fund, GPIM uses a process for selecting securities for purchase and sale that is based on intensive credit research and involves extensive due diligence on each issuer, region and sector. GPIM also considers macroeconomic outlook and geopolitical issues.

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

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

At period end, the economy was enjoying the lowest unemployment rate since December 2000, the highest small business optimism since 1983, strong corporate earnings growth, and the prospect of a new tax regime that could stimulate growth and business investment. Regulatory relief for banks was also in the offing, alleviating undue burdens on mid-sized lenders. All this positive news prompted the U.S. Federal Reserve (the "Fed") to gradually raise rates toward neutral in 2017, but an overheating labor market could force the Fed to take the punchbowl away in 2018. The fourth quarter of 2017 saw the commencement of the Fed's balance sheet roll-off in October and another rate hike in December, taking the fed funds target to a range of 1.25% to 1.50%. Soft inflation surprised many market participants in 2017, but due to base effects and a tight labor market, core inflation may start to rise. With the unemployment rate approaching 3.5%, Fed hikes may occur at a faster pace in 2018 than policymakers or financial markets currently expect.

While the 2018 economic outlook is positive, the Fed is moving to increasingly tight policy, and investors need to remain vigilant for late-cycle trends in the business cycle. In the meantime, the reduction in the corporate tax rate to 21% should be good for earnings, and the immediate expensing of capital expenditures could cause a surge in capital spending. However, higher levered segments of the fixed-income market may face negative effects from new rules governing tax deductibility of interest expense above certain limits. Investors must ensure that they are being adequately compensated for taking on credit risk in this environment.

How did the Fund perform for the six months ended November 30, 2017?

All Fund returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the six-month period ended November 30, 2017, the Fund provided a total return based on market price of 8.80% and a total return based on NAV of 5.33%. As of November 30, 2017, the Fund's market price of $21.60 represented a premium of 9.48% to its NAV of $19.73. As of May 31, 2017, the Fund's market price of $20.94 represented a premium of 5.86% to its NAV of $19.78.

Past performance is not a guarantee of future results. All NAV returns include the deduction of management fees, operating expenses, and all other Fund expenses. The market price of the Fund's shares fluctuates from time to time, and it may be higher or lower than the Fund's NAV.

Why did the Fund accrue excise tax during the six-month period ended November 30, 2017?

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

What were the Fund's distributions?

From June 2017 through November 2017, the Fund paid a monthly distribution of $0.1821. The latest distribution represents an annualized distribution rate of 10.12% based on the Fund's closing market price of $21.60 on November 30, 2017. The Fund's distribution rate is not constant and the amount of distributions, when declared by the Fund's Board of Trustees, is subject to change based on the performance of the Fund. Please see Note 2(e) on page 49 for more information on distributions for the period.

Discuss performance over the period.

During the period, the Fund saw positive performance primarily attributable to the continued tightening of credit spreads across fixed income sectors, as well as the portfolio's high carry. Carry refers to the income received net of borrowing costs from portfolio investments over a defined period. The portfolio's investments in collateralized loan obligations ("CLOs"), bank loans, and high yield corporate bonds contributed to performance.

CLOs spreads continued to tighten and the credit curve continued to compress over the period, and strong demand from both U.S. and overseas investors continues to be met with robust primary supply. Given increasingly tighter spreads and a flatter credit curve, the Fund pared mezzanine CLO exposure consistent with the portfolio's overall reduction in credit beta.

Bank loans performed well during the period. Given their floating rate features during a Fed hiking cycle, demand for these assets outpaced supply. The primary driver of the new issue market was refinancing activity, which gives us some comfort that credit formation is disciplined at this point in the cycle.

QUESTIONS & ANSWERS (Unaudited) continued November 30, 2017

High yield corporate bonds continued to perform, but we remain cautious of valuations and weaker credits. Improvements underpin the market's risk-on mentality, which could extend into 2018. Markets are also optimistic about reflation and the impact of tax reform, which could cause spreads to tighten further.

We remain cautious despite the positive near-term economic backdrop. We could see a near-term melt-up in risk assets, but with high-yield spreads nearing historical tights, investors today are simply not being compensated for the risks they are taking in lower-rated credit. Accordingly, we have reduced allocation in high yield, bank loans and mezzanine CLOs, are upgrading the credit quality of the fund, and reducing leveraging.

Discuss the Fund's approach to duration.

Although the Fund has no set policy regarding portfolio duration or maturity, the Fund had a duration of approximately 0.7 years at the end of the period, but may add opportunistically to attractive long duration assets when it can take advantage of near-term fluctuations in interest rates. Duration is a measure of a bond's price sensitivity to changes in interest rates, expressed in years. Duration is a weighted average of the times that interest payments and the final return of principal are received. The weights are the amounts of the payments discounted by the yield to maturity of the bond.

Discuss the Fund's use of leverage.

Since leverage adds to performance when the cost of leverage is less than the total return generated by investments, the use of leverage contributed to the Fund's total return during this period. The purpose of leverage (borrowings and reverse repurchase agreements) is to fund the purchase of additional securities that provide increased income and potentially greater appreciation to common shareholders than could be achieved from an unlevered portfolio. Leverage results in greater NAV volatility and entails more downside risk than an unleveraged portfolio.

The Fund has reduced the amount of leverage to approximately 11% of managed assets (including the proceeds of leverage) as of November 30, 2017 from 21% at the start of the period. Valuation driven sells, and lower targets to credit risk, generated cash that was used to pay down leverage.

GPIM employs leverage through two vehicles: reverse repurchase agreements, under which the Fund temporarily transfers possession of portfolio securities and receives cash which can be used for additional investments, and a committed financing facility through a leading financial institution. There is no guarantee that the Fund's leverage strategy will be successful. The Fund's use of leverage may cause the Fund's NAV and market price of common shares to be more volatile and can magnify the effect of any losses.

QUESTIONS & ANSWERS (Unaudited) continued November 30, 2017

Risks and Other Considerations

Investing involves risk, including the possible loss of principal and fluctuation of value. The views expressed in this report reflect those of the portfolio managers only through the report period as stated on the cover. These views are expressed for informational purposes only and are subject to change at any time, based on market and other conditions, and may not come to pass. These views may differ from views of other investment professionals at Guggenheim and should not be construed as research, investment advice or a recommendation of any kind regarding the fund or any issuer or security, do not constitute a solicitation to buy or sell any security and should not be considered specific legal, investment or tax advice. The information provided does not take into account the specific objectives, financial situation or particular needs of any specific investor.

The views expressed in this report may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass. Actual results or events may differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements. Important factors that could result in such differences, in addition to the other factors noted with such forward-looking statements, include general economic conditions such as inflation, recession and interest rates.

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

Performance data quoted represents past performance, which is no guarantee of future results and current performance may be lower or higher than the figures shown.

Please see guggenheiminvestments.com/gof for a detailed discussion of the Fund’s risks and considerations.

This material is not intended as a recommendation or as investment advice of any kind, including in connection with rollovers, transfers, and distributions. Such material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. All content has been provided for informational or educational purposes only and is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

FUND SUMMARY (Unaudited) November 30, 2017

Fund Statistics	
Share Price	$21.60
Net Asset Value	$19.73
Premium to NAV	9.48%
Net Assets ($000)	$475,867

AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIOD ENDED NOVEMBER 30, 2017

	Six Month (non-annualized)	One Year	Three Year	Five Year	Ten Year
Guggenheim Strategic Opportunities Fund					
NAV	5.33%	17.55%	11.90%	11.40%	11.98%
Market	8.80%	25.31%	11.69%	12.66%	14.64%

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

Ten Largest Holdings	(% of Total Net Assets)
TSGE 2017-1 6.25%	1.1%
Discovery Communications LLC 5.20%	0.9%
Citigroup, Inc. 5.95%	0.9%
Encore Capital Group, Inc. 5.63%	0.8%
Fortress Credit Opportunities IX CLO Ltd. 4.07%	0.8%
GMAC Commercial Mortgage Asset Corp. 6.36%	0.8%
QBE Insurance Group Ltd. 7.50%	0.7%
Flatiron CLO Ltd. 4.95%	0.7%
Flagship CLO VIII Ltd. 6.56%	0.7%
Anchorage Credit Funding 1 Ltd. 6.30%	0.7%
Top Ten Total	8.1%

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

FUND SUMMARY (Unaudited) continued November 30, 2017

Portfolio Breakdown	% of Net Assets
Investments:	
Senior Floating Rate Interests	40.0%
Corporate Bonds	30.1%
Asset-Backed Securities	21.2%
U.S. Government Securities	6.6%
Collateralized Mortgage Obligations	2.1%
Money Market Fund	1.8%
Preferred Stocks	1.2%
Foreign Government Bonds	1.2%
Other	1.2%
Total Investments	105.4%
Call Options Written	-0.5%
Other Assets & Liabilities, net	-4.9%
Net Assets	100.0%

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

FUND SUMMARY (Unaudited) continued November 30, 2017

Portfolio Composition by Quality Rating*

Rating	% of Total Investments
Fixed Income Instruments	
AAA	5.8%
AA	0.4%
A	5.4%
BBB	15.1%
BB	13.1%
B	31.0%
CCC	3.5%
CC	0.3%
D	0.1%
NR**	25.0%
Other Instruments	
Other	0.3%
Total Investments	100.0%

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

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

SCHEDULE OF INVESTMENTS (Unaudited) November 30, 2017

	Shares	Value
COMMON STOCKS† – 0.3%		
Energy – 0.2%		
SandRidge Energy, Inc.*	41,086	$ 764,610
Approach Resources, Inc.*	112,884	282,210
Titan Energy LLC*	9,603	14,405
Total Energy		1,061,225
Technology – 0.1%		
Aspect Software Parent, Inc.*,†††,1,2	40,745	262,808
Aspect Software Parent, Inc.*,†††,1,2	15,032	96,957
Qlik Technologies, Inc. A*,†††,1	56	62,162
Qlik Technologies, Inc. B*,†††,1	13,812	7,237
Qlik Technologies, Inc.*,††	3,600	–
Total Technology		429,164
Communications – 0.0%**		
Cengage Learning Acquisitions, Inc.*,††	11,126	83,445
Consumer, Non-cyclical – 0.0%**		
Targus Group International Equity, Inc*,†††,1,2	13,409	25,293
Industrial – 0.0%**		
Carey International, Inc.*,†††,1	6	–
Total Common Stocks (Cost $2,797,900)		1,599,127
PREFERRED STOCKS†		