

July 31, 2016

# MZF | ANNUAL REPORT

## Managed Duration Investment Grade Municipal Fund

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INVESTMENT GRADE MUNICIPAL FUND

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- Portfolio overviews and performance analyses
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Cutwater Investor Services Corp. and Guggenheim Investments 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 way we are working to keep you better informed about your investment in the Fund.

**DEAR SHAREHOLDER:**

We thank you for your continued investment in the Managed Duration Investment Grade Municipal Fund (the “Fund”). This report covers performance for the 12-month period ended July 31, 2016.

The Fund’s investment objective is to provide high current income exempt from regular federal income tax while seeking to protect the value of the Fund’s assets during periods of interest rate volatility. Under normal market conditions, the Fund seeks to achieve its objective by investing at least 80% of its total assets in municipal bonds of investment grade quality and will normally invest substantially all of its total assets in municipal bonds of investment-grade quality.

All Fund returns cited—whether based on net asset value (“NAV”) or market price—assume the reinvestment of all distributions. For the 12-month period ended July 31, 2016, the Fund provided a total return based on market price of 12.79% and a total return of 9.68% based on NAV. As of July 31, 2016, the Fund’s last closing market price of \$14.62 represented a discount of 5.92% to NAV of \$15.54.

Past performance is not a guarantee of future results. The market value and NAV of the Fund’s shares fluctuate from time to time, and the Fund’s market value may be higher or lower than its NAV. The NAV return includes the deduction of management fees, operating expenses, and all other Fund expenses.

A distribution of \$0.0616 was paid in the first 11 months of the period, and a distribution of \$0.0535 was paid in the last month. The last distribution represents an annualized distribution rate of 4.39% based on the last closing market price of \$14.62 on July 31, 2016. The Fund’s distribution rate is not constant and the amount of such distributions, which are approved and declared by the Fund’s Board of Trustees, is subject to change based on the performance of the Fund. Please see Note 2(c) on page 28 for more information on distributions for the period.

Cutwater Investor Services Corp. (“CISC”) serves as the Fund’s Investment Adviser (“Investment Adviser” or “Adviser”), which is registered with the Securities and Exchange Commission and the Commodity Futures Trading Commission. CISC is operated and administered by Insight Investment, a leading European asset manager and one of BNY Mellon’s largest investment firms. Insight is a subsidiary of BNY Mellon, a global investments company that delivers investment management and investment services in 35 countries and more than 100 markets. As of June 30, 2016, BNY Mellon had more than \$29.5 trillion in assets under custody and/or administration, and \$1.7 trillion in assets under management through its multi-boutique investment management business.

Guggenheim Funds Distributors, LLC (“GFD”) serves as the Servicing Agent to the Fund. GFD is part of Guggenheim Investments. Guggenheim Investments represents the investment management division of Guggenheim Partners, LLC.

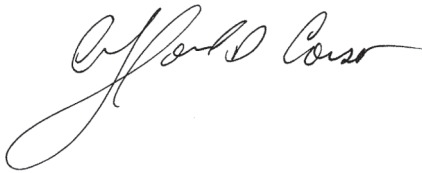
We encourage shareholders to consider the opportunity to reinvest their distributions from the Fund through the Dividend Reinvestment Plan (“DRIP”), which is described in detail on page 39 of this report. When shares trade at a discount to NAV, the DRIP takes advantage of the discount by reinvesting 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 steady monthly distribution rate, 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, we encourage you to read the *Questions & Answers* section, which begins on page 5 of this report. You will find information about how the Fund is managed, what affected the performance of the Fund during the 12-month period ended July 31, 2016, and Cutwater's views on the market environment.

We appreciate your investment, and we 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/mzf](http://GuggenheimInvestments.com/mzf).

Sincerely,

A handwritten signature in black ink, reading "Clifford D. Corso". The signature is written in a cursive style with a large, looping initial "C".

Clifford D. Corso  
*Chief Executive Officer and President*  
*Managed Duration Investment Grade Municipal Fund*  
August 31, 2016

*In the following interview, the portfolio managers discuss the market environment and the performance of the Managed Duration Investment Grade Municipal Fund (the “Fund”) for the 12-month period ended July 31, 2016. Their biographies appear immediately below.*

**James B. DiChiaro**  
**Senior Portfolio Manager**

*Mr. DiChiaro joined Insight's Fixed Income Group as a senior portfolio manager in January 2015, following BNY Mellon's acquisition of Cutwater Asset Management. He originally joined Cutwater in 1999 and has worked in the financial services industry since 1998. His responsibilities include managing the firm's municipal assets (taxable and tax-exempt) and money market portfolios. He constructs and implements portfolio strategies for a diverse client base including insurance companies, separately managed accounts and closed-end bond funds. Previously at Cutwater, Mr. DiChiaro began his career working with the Conduit Group, structuring medium-term notes for Meridian Funding Company and performing the treasury role for an MBIA sponsored asset-backed commercial paper conduit, Triple-A One Funding Corporation. Prior to that, he worked for Merrill Lynch supporting their ABS trading desk. He holds a BS degree from Fordham University and an MBA from Pace University.*

**Gerard Berrigan**  
**Head of U.S. Fixed Income**

*Mr. Berrigan joined Insight's Fixed Income Group as head of U.S. Fixed Income in January 2015, following BNY Mellon's acquisition of Cutwater Asset Management. He originally joined Cutwater in June 1994 and has worked in the financial services industry since 1984 with specific experience in securities and trading. His responsibilities include overseeing all aspects of portfolio management for North America. Previously, Mr. Berrigan worked at the Federal National Mortgage Association as a member of the Portfolio Management and Treasury Groups where he developed and applied expertise in ABS, MBS and portfolio hedging. He also worked at First Boston Corp. developing and implementing investment strategies for the firm's public finance clients. He has a BS degree from Bucknell University and an MBA from Columbia University. He holds Series 7 and 63 licenses from the Financial Industry Regulatory Authority (FINRA).*

**Jason Celente, CFA**  
**Senior Portfolio Manager**

*Mr. Celente joined Insight's Fixed Income Group as a senior portfolio manager in January 2015, following BNY Mellon's acquisition of Cutwater Asset Management. He originally began his financial services career at Cutwater in 1997 and has been part of the investment management team since 1999. His responsibilities include participating in bi-weekly corporate credit and portfolio strategy meetings and then implementing those strategies by determining credit selection and sector allocation. Prior to this, Mr. Celente*

*was an investment accountant for Cutwater's asset-liability portfolios and short-term mutual funds. He has a BS degree from Colgate University and an MBA from the Stern School of Business at New York University. He holds Series 7 and 63 licenses from the Financial Industry Regulatory Authority (FINRA) and is a CFA charterholder.*

**Please provide an overview of the economy and the municipal market during the 12-month period ended July 31, 2016.**

The municipal market was supported by a positive U.S. economy over the period, even though U.S. gross domestic product has struggled to keep above 1%. The second quarter report (1.2%) was led by a strong increase in consumption, and thanks to a stronger consumer, residential investment is growing. While payroll growth has slowed, it is fast enough to eat into labor market slack. We expect a moderate increase in inflation over the next 12 months towards 1.8-2%, driven in large part by a further rise in health care prices. State and local spending should also contribute positively to growth over the remainder of the year thanks to election-related spending. Rising home prices are supportive of local tax revenue.

The U.S. Federal Reserve (the “Fed”) remains a major factor in markets. In December, the Federal Open Market Committee (“FOMC”) of the Fed raised rates for the first time in over a decade. Somewhat surprisingly, interest rates did not move abruptly higher after the rate hike; in fact, longer yields stayed steady, and then generally declined through the end of the period, as the FOMC held rates unchanged through the end of July.

The consequences of the Brexit vote were minimal for the municipal bond market. The referendum vote should not have a significant impact on the U.S. domestic economy, with little or no reverberations down to state and local governments. In Europe and Japan, policymakers are waiting for incoming data to support a sustained expansion, or take more action as conditions worsen. The U.S. should benefit in either case, given its relatively strong economy and, should further quantitative easing or negative yields abroad persist, the potential for foreign capital to flood into the U.S. in search of higher relative yields. Already, foreign demand for tax-exempt debt has contributed to the all-time record low yields offered by the tax-exempt municipal bond market.

Many states are adequately positioned to deal with short-term economic downturns. States have done an admirable job of reducing expenses over the last five years, specifically within the education sector, and many issuers have built substantial reserve fund balances. Also helping the cause has been the reluctance of tax-supported entities to issue debt despite the low interest rate environment. There are, however, a handful of states that find themselves continually combatting large unfunded pension obligations, which are arguably increasing as investment yields decrease.

Puerto Rico defaulted on its general obligation debt on July 1. This default was symbolic in that it was a major default within the general obligation sector, a sector that has been regarded as a safe haven within the municipal market. Puerto Rico was an extreme situation epitomized by an economy that has been in a decade-long secular decline. We would not suggest that this default is a “canary in a coal mine” nor would we draw any conclusions with respect to Illinois as bankruptcy laws and the

willingness and the ability to pay varies from state to state. We expect default activity to be muted within the municipal sector.

The market continues to be buoyed by strong municipal mutual fund demand, positive for 40 weeks, but which has driven rates and spreads lower. Supply year to date has exceeded \$260 billion, modestly below last year's issuance, but which, along with steady demand, should continue to support the broader tax-exempt market. Refunding activity continues to constitute about 60% of issuance.

**How did the Fund perform in this market environment?**

All Fund returns cited—whether based on net asset value (“NAV”) or market price—assume the reinvestment of all distributions. For the 12-month period ended July 31, 2016, the Fund provided a total return based on market price of 12.79% and a total return of 9.68% based on NAV. As of July 31, 2016, the Fund's last closing market price of \$14.62 represented a discount of 5.92% to NAV of \$15.54. As of July 31, 2015, the Fund's last closing market price of \$13.66 represented a discount of 8.14% to NAV of \$14.87.

Past performance is not a guarantee of future results. The market value and NAV of the Fund's shares fluctuate from time to time, and the Fund's market value may be higher or lower than its NAV. The NAV return includes the deduction of management fees, operating expenses, and all other Fund expenses.

A distribution of \$0.0616 was paid in the first 11 months of the period, and a distribution of \$0.0535 was paid in the last month. The last distribution represents an annualized distribution rate of 4.39% based on the last closing market price of \$14.62 on July 31, 2016. The Fund's distribution rate is not constant and the amount of such distributions, which are approved and declared by the Fund's Board of Trustees, is subject to change based on the performance of the Fund. Please see Note 2(c) on page 28 for more information on distributions for the period.

**What stood out about the Fund's performance for the period?**

The NAV of the Fund returned 9.68%, compared with 6.94% for the Barclays Municipal Index. Longer-maturity bonds outperformed during the period, along with bonds with an A or BBB rating.

The tax-exempt yield curve underwent a massive flattening over the period. The FOMC raised its target short-term interest rate in December for the first time in nearly a decade, which led to a modest increase in short-term rates. Later in the period, the UK referendum vote to leave the European Union coupled with unprecedented accommodative monetary policy from many global central banks inspired a flight-to-quality rally that generally benefitted the long-end of the U.S. yield curve. Municipal securities generally followed suit, and dramatically lower yields on 10-year and 30-year municipal bonds did not slow the inflow of cash into this asset class.

The Fund continues to maintain a barbelled duration position and did so throughout the period. Despite the meaningful flattening of the interest rate curve over the last 12-months, the Adviser believes the curve will continue to flatten. Approximately 25% of global sovereign debt is negative-yielding, which will likely continue to inspire investors to target long maturity U.S. fixed-income

securities. Market-based expectations indicate a roughly a 50% probability of a FOMC rate hike by the end of the year, and that, coupled with high global demand for long duration assets, validates our expectation for a flatter interest rate curve. These themes led the Adviser to maintain an overweight position to floating-rate securities in the Fund during the period; however, the long (30-year) part of the barbell was the most beneficial for the Fund's performance throughout the period.

The Fund's down-in-quality-rated (A and BBB) securities generally outperformed their higher-quality counterparts. From a sector perspective, corporate-backed industrial development bonds and transportation bonds were top performers, returning 8.22% and 7.98%, respectively. The Fund's top overweight, the health care sector, also performed well during the period and returned 7.73%. So, the Fund's top sector allocations were generally beneficial for performance during the period. The Adviser cautions that the corporate-backed sector is highly correlated to credit-spread movements within the taxable market. This sector was negatively impacted in the second half of 2015 and during the first quarter of 2016 by the abrupt decrease in commodity prices and concerns surrounding the strength of the global economy.

Detracting from the Fund's performance was its investment in corporate-backed securities linked to United States Steel, Consul Energy, and Marathon Oil. The Fund was indirectly exposed to commodity prices with positions in these securities.

The Fund's overweight to floating-rate securities detracted from performance as well. Although the FOMC increased its target rate during the period, the market has since discounted the probability of multiple rate hikes in the future, given the diverging monetary policy between the U.S. and the rest of the developed world. Although there was an increase in the coupon rate of these floating-rate securities, the low duration offered by these securities drove their underperformance relative to the index. Some points along the interest rate curve reached new all-time lows. Floating-rate securities generally seek to preserve capital during periods where interest rates gradually increase.

Within the education sector the Fund has floating-rate exposure to the State of New Jersey that was negative for performance during the period. The State of New Jersey has a large unfunded pension balance, and the lack of progress in addressing it resulted in credit spread pressure.

**How did the Fund's positioning change over the period?**

Average credit quality was mostly unchanged during the period, but the Fund did reduce its holdings of AAA rated prerefunded securities in favor of AA and A rated health care, transportation, and, to a lesser degree, higher education securities at higher yields. The low-interest-rate environment has encouraged many issuers to refund or prerefund previously issued debt. Some of that debt is now collateralized with U.S. Treasury securities. Prerefunded securities are generally a source of "dry powder" for the Fund, and these high-quality securities can be liquidated in short order to fund the purchase of more attractive securities when opportunities present themselves.

The Fund increased its exposure to the health care and transportation sectors during the period. The transportation sector is somewhat cyclical and inversely correlated to oil prices. Health care spreads did widen during certain months of the period, and the Fund used this as an opportunity to add to exposure to the sector at attractive levels.



The Fund's allocation to general obligation bonds decreased during the period. The Adviser opted to sell the general obligation debt of both the states of Illinois and Pennsylvania. Both states have come under pressure due to their large unfunded pension balances and lack of progress in addressing the issue.

**Any comment on duration?**

The Fund maintained a duration that was shorter than or in-line with the benchmark throughout the 12-month period, which was a modest drag on performance, as longer-maturity yields significantly decreased.

**What effect did the Fund's leverage have on Fund return?**

The Fund utilizes leverage (borrowing) as part of its investment strategy, to finance the purchase of additional securities that provide increased income and potentially greater appreciation potential to common shareholders than could be achieved from a portfolio that is not leveraged.

Leverage adds to performance only when the cost of leverage is less than the total return generated by investments. The 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 may cause greater changes in the Fund's NAV and returns than if financial leverage had not been used.

As of July 31, 2016, the Fund maintained leverage of about 40% in the form of Auction Market Preferred Shares. Since the Fund's NAV return was greater than the cost of leverage during the period, leverage was a contributor to the Fund's total return.

**Do you have any other comments on the municipal market?**

Municipal fundamentals are highly correlated to the performance of the domestic economy and continue to trend upward alongside the robust domestic employment market. Most states and local governments continue to see increases in revenues from their tax base and sufficient liquidity to balance their annual budgets. The few struggling issuers have yet to make progress in addressing their unfunded pension obligations, which may lead to additional rating agency downgrades. It does not appear to be popular within these states and local governments to raise taxes to cover pensions as they seemingly prefer to tap into cash from other parts of their budgets. The healthier issuers are beginning to allocate funds towards rebuilding infrastructure, especially schools and highways.

While we see the domestic economy continuing to grow, we expect inflation to be muted, and volatile financial conditions could spur a deferral of rate increases. We continue to focus on the global economy and any consequences resulting from the Brexit vote. Currency wars, negative yields, and the U.S. elections have our attention, as does the FOMC, which has indicated at least one more rate hike during 2016 according to the target level as indicated by their dots. We remain constructive on the U.S. economy for the remainder of 2016 and early 2017 and continue to expect a gradual rate-hiking cycle.

**Important Disclosures**

Past performance is not a guide to future performance. The value of investments and any income from them will fluctuate and is not guaranteed and investors may not get back the amount invested.

Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved. The information contained herein has been obtained from sources believed to be reliable; however, no representation is made regarding its accuracy or completeness. This document must not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or otherwise not permitted.

Investment advisory services in North America are provided through four different investment advisers registered with the Securities and Exchange Commission (SEC), using the brand Insight Investment: Cutwater Asset Management Corp. (CAMC), Cutwater Investor Services Corp. (CISC), Insight North America LLC (INA) and Pareto Investment Management Limited (PIML). The North American investment advisers are associated with other global investment managers that also (individually and collectively) use the corporate brand Insight Investment and may be referred to as “Insight” or “Insight Investment”.

The investment adviser providing these advisory services is Cutwater Investor Services Corp. (CISC) (the “Investment Adviser” or “Adviser”), an investment adviser registered with the SEC, under the Investment Advisers Act of 1940, as amended, and is also registered with the Commodity Futures Trading Commission (CFTC) as a Commodity Trading Adviser and Commodity Pool Adviser. Registration with the SEC or the CFTC does not imply a certain level of skill or training. You may request, without charge, additional information about Insight.

Moreover, specific information relating to Insight’s strategies, including investment advisory fees, may be obtained from CISC’s Form ADV Part 2A, which is available without charge upon request.

**Index Definitions**

Information about the index shown here is provided to allow for comparison of the performance of the strategy to that of a certain well-known and widely recognized index. There is no representation that such an index is an appropriate benchmark for such comparison. You cannot invest directly in an index and the index represented does not take into account trading commissions and/or other brokerage or custodial costs. The volatility of the index may be materially different from that of the strategy. In addition, the strategy’s holdings may differ substantially from the securities that comprise the index shown.

The Barclays Municipal Bond Index is a rules-based, market-value weighted index engineered for the long-term tax-exempt bond market. To be included in the index, bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody’s Investor Services, Inc., Standard & Poor’s Rating Group, or Fitch Ratings, Inc.

**Risks and Other Considerations**

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The views expressed in this report reflect those of the portfolio managers only through the report period as stated on the cover. These views are subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any kind. The material may also include forward looking statements that involve risk and uncertainty, and there is no guarantee that any predictions will come to pass.

There can be no assurance that the Fund will achieve its investment objectives. The value of the Fund will fluctuate with the value of the underlying securities. Closed-end funds often trade at a discount to their net asset value. There can be no assurance that the Fund will achieve its investment objectives. Risk is inherent in all investing, including the loss of your entire principal. Therefore, before investing you should consider the risks carefully.

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

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**Fund Statistics**

Symbol on New York Stock Exchange	MZF
Initial Offering Date	August 27, 2003
Share Price	\$14.62
Net Asset Value	\$15.54
Yield on Closing Market Price	4.39%
Taxable Equivalent Yield on Closing Market Price <sup>1</sup>	7.76%
Monthly Distribution Per Common Share <sup>2</sup>	\$0.0535
Leverage <sup>3</sup>	39%
Percentage of total investments subject to alternative minimum tax	11.2%

1 Taxable equivalent yield is calculated assuming a 43.4% federal income tax bracket.

2 Monthly distribution is subject to change.

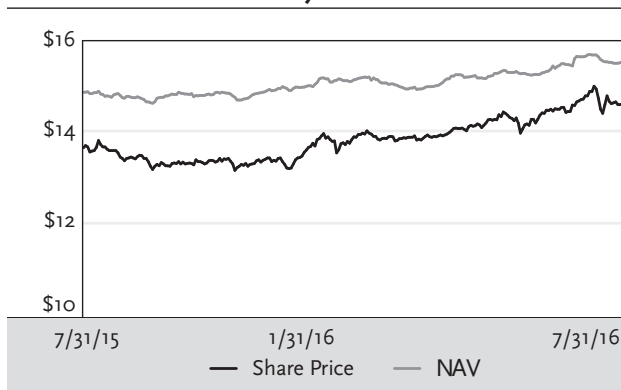
3 As a percentage of total investments.

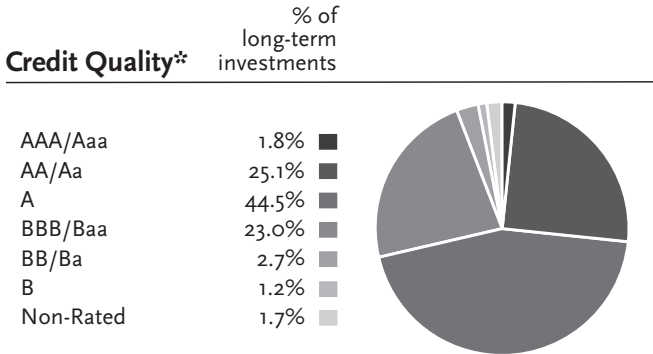
**AVERAGE ANNUAL TOTAL RETURNS FOR THE PERIOD ENDED JULY 31, 2016**

	One Year	Three Year	Five Year	Ten Year	Since Inception
Managed Duration Investment Grade Municipal Fund					
NAV	9.68%	10.19%	8.12%	6.84%	6.38%
Market	12.79%	11.76%	8.00%	8.23%	5.92%

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 redemption of Fund shares is not reflected in the total returns. For the most recent month-end performance figures, please visit [guggenheiminvestments.com/mzf](http://guggenheiminvestments.com/mzf). 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 redeemed, may be worth more or less than their original cost.

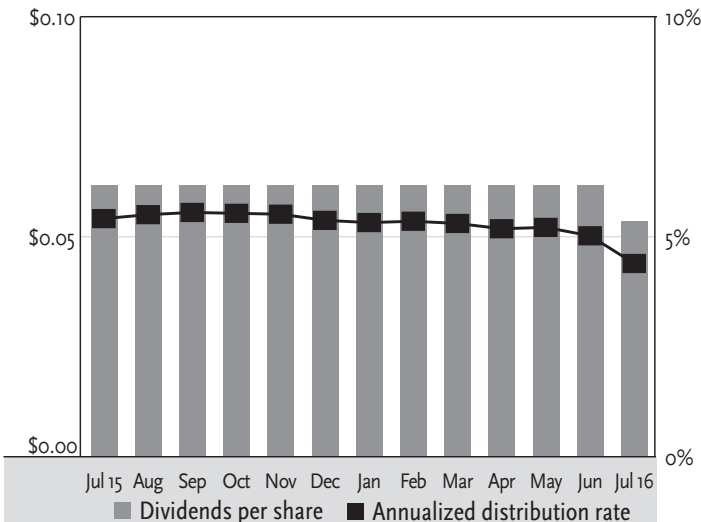
**Share Price & NAV History**





\*Ratings shown are assigned by one or more Nationally Recognized Statistical Credit Rating Organizations (“NRSRO”), such as S&P, Moody’s and Fitch. The ratings are an indication of an issuer’s creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When two or more ratings are available, the lower rating is used; and when only one is available, that rating is used. The Non-Rated category consists of securities that have not been rated by an NRSRO. US Treasury securities and US Government Agency securities are not rated but deemed to be equivalent to securities rated AA+/Aaa.

**Distributions to Shareholder & Annualized Distribution Rate**



	Shares	Value
<b>SHORT TERM INVESTMENTS<sup>†</sup> – 2.2%</b>		
JPMorgan Tax Free Money Market, 0.01% <sup>1</sup>	2,346,989	\$ 2,346,989
<b>Total Short Term Investments</b> (Cost \$2,346,989)		2,346,989

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2%</b>		
<b>California – 23.9%</b>		
Hartnell Community College District General Obligation Unlimited 0.00% due 08/01/42 <sup>2</sup>	\$12,640,000	\$ 4,416,289
Northern California Gas Authority No. 1 Revenue Bonds 1.15% due 07/01/27 <sup>3</sup>	3,760,000	3,415,809
Sacramento County Sanitation Districts Financing Authority, (AGC-ICC FGIC) 0.98% due 12/01/35 <sup>3</sup>	3,500,000	3,255,629
Los Angeles Unified School District 5.00% due 01/01/34	2,525,000	2,811,739
California Statewide Communities Development Authority 1.21% due 04/01/36 <sup>3</sup>	2,500,000	2,151,525
Bay Area Toll Authority 1.69% due 04/01/36 <sup>3</sup>	2,000,000	2,034,640
California Health Facilities Financing Authority 5.88% due 08/15/31	1,500,000	1,791,645
San Bernardino City Unified School District, (AGM) 5.00% due 08/01/28	1,000,000	1,196,350
California Pollution Control Financing Authority, AMT 5.00% due 07/01/30 <sup>4</sup>	1,000,000	1,147,810
San Diego Unified School District General Obligation Unlimited 0.00% due 07/01/38 <sup>2</sup>	3,145,000	1,146,384
Los Angeles County Public Works Financing Authority 4.00% due 08/01/42	1,000,000	1,083,600
Desert Community College District General Obligation Unlimited, (AGM) 0.00% due 08/01/46 <sup>2</sup>	3,750,000	764,888
<b>Total California</b>		25,216,308
<b>Texas – 17.2%</b>		
North Texas Tollway Authority Revenue Bonds 5.00% due 01/01/45	2,500,000	2,956,850
5.63% due 01/01/18 <sup>5</sup>	1,775,000	1,900,138
5.00% due 01/01/24	500,000	621,115
5.63% due 01/01/33	225,000	239,675
Tarrant County Cultural Education Facilities Finance Corp. Revenue Bonds 5.00% due 10/01/43	2,000,000	2,294,820
5.00% due 11/15/52	940,000	1,095,222
Matagorda County Navigation District No. 1, AMT, (AMBAC) 5.13% due 11/01/28	2,515,000	3,213,667

See notes to financial statements.

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2% (continued)</b>		
<b>Texas – 17.2% (continued)</b>		
Lower Colorado River Authority Revenue Bonds 6.25% due 05/15/18 <sup>3</sup>	\$ 2,000,000	\$ 2,201,255
San Leanna Educational Facilities Corp. 5.13% due 06/01/17 <sup>5</sup>	2,100,000	2,179,233
Fort Bend County Industrial Development Corp. 4.75% due 11/01/42	1,000,000	1,109,150
Tarrant County Cultural Education Facilities Finance Corp. Revenue Bonds, (AGC) 5.75% due 07/01/18	335,000	356,685
<b>Total Texas</b>		<b>18,167,810</b>
<b>Florida – 10.3%</b>		
Miami-Dade County Educational Facilities Authority 5.00% due 04/01/42	2,000,000	2,324,960
School Board of Miami-Dade County Certificate Of Participation, (AGC) 5.38% due 02/01/19 <sup>6</sup>	1,500,000	1,675,875
JEA Water & Sewer System Revenue 4.00% due 10/01/41	1,500,000	1,542,105
Town of Davie FL 6.00% due 04/01/42	1,000,000	1,246,150
Tampa-Hillsborough County Expressway Authority Revenue Bonds 5.00% due 07/01/42	1,000,000	1,152,590
County of Broward FL, AMT, (AGM) 5.00% due 04/01/38	1,000,000	1,142,600
Seminole Indian Tribe of Florida 5.25% due 10/01/27 <sup>4</sup>	1,000,000	1,038,500
Mid-Bay Bridge Authority Revenue Bonds 5.00% due 10/01/40	625,000	747,681
<b>Total Florida</b>		<b>10,870,461</b>
<b>Louisiana – 9.1%</b>		
Louisiana Local Government Environmental Facilities & Community Development Authority 6.75% due 11/01/32	3,000,000	3,212,370
State of Louisiana Gasoline & Fuels Tax Revenue 5.00% due 05/01/43	1,600,000	1,871,680
Louisiana Public Facilities Authority Revenue Bonds 3.50% due 06/01/30	1,200,000	1,260,372
Lafayette Consolidated Government Revenue Bonds, (AGM) 5.00% due 11/01/31	1,000,000	1,205,170
Louisiana Public Facilities Authority, Hospital Revenue 5.25% due 11/01/30	1,000,000	1,132,900
Louisiana Public Facilities Authority Revenue Bonds, (AGM) 5.00% due 06/01/42	800,000	942,952
<b>Total Louisiana</b>		<b>9,625,444</b>

See notes to financial statements.

	Face Amount	Value
<b>MUNICIPAL BONDS†† – 168.2% (continued)</b>		
<b>Illinois – 9.0%</b>		
Metropolitan Pier & Exposition Authority 5.00% due 06/15/42	\$ 2,000,000	\$ 2,202,340
City of Chicago IL O'Hare International Airport Revenue 5.50% due 01/01/31	1,750,000	2,047,675
Illinois Finance Authority, Roosevelt University Revenue 5.50% due 04/01/37	2,000,000	2,022,540
Railsplitter Tobacco Settlement Authority 6.00% due 06/01/28	1,000,000	1,195,390
Illinois Finance Authority, Rush University Medical Center Revenue 6.38% due 05/01/19 <sup>3</sup>	1,000,000	1,156,950
Chicago O'Hare International Airport Revenue Bonds, AMT 5.00% due 01/01/35	750,000	871,650
<b>Total Illinois</b>		<b>9,496,545</b>
<b>Pennsylvania – 8.9%</b>		
Pennsylvania Higher Educational Facilities Authority 6.00% due 08/15/18 <sup>3</sup>	1,000,000	1,109,180
5.00% due 05/01/37	1,000,000	1,036,280
Delaware River Port Authority 5.00% due 01/01/27	1,500,000	1,715,100
County of Allegheny Pennsylvania General Obligation Unlimited, (AGM) 1.06% due 11/01/26 <sup>3</sup>	1,750,000	1,698,078
City of Philadelphia PA, General Obligation, (AGC) 5.38% due 08/01/30	1,110,000	1,247,307
County of Lehigh PA 4.00% due 07/01/43	1,000,000	1,059,340
City of Philadelphia PA, General Obligation 5.88% due 08/01/16 <sup>3</sup>	1,000,000	1,000,000
State Public School Building Authority Revenue Bonds 5.00% due 04/01/32	500,000	538,460
<b>Total Pennsylvania</b>		<b>9,403,745</b>
<b>Massachusetts – 7.7%</b>		
Massachusetts Bay Transportation Authority Revenue Bonds 0.00% due 07/01/32 <sup>2</sup>	4,000,000	2,659,120
Massachusetts Educational Financing Authority, AMT 4.70% due 07/01/26	905,000	973,889
5.38% due 07/01/25	665,000	748,571
Commonwealth of Massachusetts, General Obligation (BHAC-CR FGIC) 1.08% due 05/01/37 <sup>3</sup>	1,800,000	1,688,796
Massachusetts Health & Educational Facilities Authority 6.25% due 07/01/30	1,000,000	1,151,500
Massachusetts Housing Finance Agency Revenue Bonds, AMT 5.10% due 12/01/27	950,000	972,173
<b>Total Massachusetts</b>		<b>8,194,049</b>

See notes to financial statements.



**PORTFOLIO OF INVESTMENTS continued**

July 31, 2016

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2% (continued)</b>		
<b>New York – 7.6%</b>		
Metropolitan Transportation Authority 5.00% due 11/15/43	\$ 2,000,000	\$ 2,379,340
Triborough Bridge & Tunnel Authority Revenue Bonds 0.00% due 11/15/31 <sup>2</sup>	2,750,000	1,828,008
New York State Dormitory Authority 5.00% due 07/01/32	1,000,000	1,138,330
5.25% due 07/01/17 <sup>5</sup>	400,000	417,136
Troy Industrial Development Authority 5.00% due 09/01/31	1,000,000	1,155,660
New York City Water & Sewer System Revenue Bonds 5.00% due 06/15/45	930,000	1,100,078
<b>Total New York</b>		<b>8,018,552</b>
<b>Arizona – 7.5%</b>		
Arizona Health Facilities Authority Revenue Bonds 1.24% due 01/01/37 <sup>3</sup>	3,500,000	3,195,745
Arizona Health Facilities Authority 2.29% due 02/01/48 <sup>3</sup>	2,000,000	2,037,160
Glendale Municipal Property Corp. 5.00% due 07/01/33	1,250,000	1,471,275
Phoenix Industrial Development Authority 5.25% due 06/01/34	1,000,000	1,181,540
<b>Total Arizona</b>		<b>7,885,720</b>
<b>Michigan – 6.8%</b>		
Michigan State Building Authority Revenue Bonds 5.00% due 04/15/36	2,500,000	3,061,775
Michigan Finance Authority Revenue Bonds 5.00% due 11/01/44	1,000,000	1,188,810
5.00% due 07/01/44	1,030,000	1,177,208
Michigan Finance Authority, Revenue 5.00% due 12/01/31	1,000,000	1,175,750
Detroit Wayne County Stadium Authority Revenue Bonds, (AGM) 5.00% due 10/01/26	500,000	569,115
<b>Total Michigan</b>		<b>7,172,658</b>
<b>New Jersey – 6.5%</b>		
New Jersey Economic Development Authority 2.04% due 03/01/28 <sup>3</sup>	3,000,000	2,704,350
5.00% due 07/01/32	500,000	489,245
New Jersey Transportation Trust Fund Authority 5.00% due 06/15/42	1,750,000	1,915,253
New Jersey Health Care Facilities Financing Authority 5.75% due 07/01/19 <sup>9</sup>	1,500,000	1,714,620
<b>Total New Jersey</b>		<b>6,823,468</b>

See notes to financial statements.

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2% (continued)</b>		
<b>Iowa – 4.6%</b>		
Iowa Tobacco Settlement Authority 5.60% due 06/01/34	\$ 2,000,000	\$ 2,017,860
Iowa Higher Education Loan Authority 5.50% due 09/01/25	1,500,000	1,635,660
Iowa Finance Authority 5.00% due 08/15/29	1,090,000	1,260,879
<b>Total Iowa</b>		4,914,399
<b>Tennessee – 4.5%</b>		
Knox County Health Educational & Housing Facility Board 5.25% due 04/01/27	2,500,000	2,568,625
Metropolitan Nashville Airport Authority Revenue Bonds, AMT 5.00% due 07/01/43	1,310,000	1,541,516
Metropolitan Nashville Airport Authority 5.20% due 07/01/26	560,000	604,055
<b>Total Tennessee</b>		4,714,196
<b>Connecticut – 4.3%</b>		
City of Bridgeport Connecticut General Obligation Unlimited, (AGM) 5.00% due 10/01/25	2,535,000	3,119,977
Connecticut State Health & Educational Facility Authority Revenue Bonds 5.00% due 07/01/45	1,250,000	1,474,150
<b>Total Connecticut</b>		4,594,127
<b>Wyoming – 3.8%</b>		
County of Sweetwater WY, AMT 5.60% due 12/01/35	4,000,000	4,014,039
<b>Washington – 3.3%</b>		
Spokane Public Facilities District 5.00% due 12/01/38	1,000,000	1,162,130
Washington Higher Education Facilities Authority 5.25% due 04/01/43	1,000,000	1,155,790
Tes Properties 5.63% due 06/01/19 <sup>§</sup>	1,000,000	1,137,350
<b>Total Washington</b>		3,455,270
<b>Ohio – 3.2%</b>		
American Municipal Power, Inc. 5.00% due 02/15/42	2,000,000	2,332,180
Ohio Air Quality Development Authority 5.63% due 06/01/18	1,000,000	1,041,770
<b>Total Ohio</b>		3,373,950
<b>Vermont – 2.8%</b>		
Vermont Student Assistance Corp., AMT 3.76% due 12/03/35 <sup>§</sup>	2,800,000	3,003,196

See notes to financial statements.

**PORTFOLIO OF INVESTMENTS continued**

July 31, 2016

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2% (continued)</b>		
<b>Mississippi – 2.7%</b>		
State of Mississippi Revenue Bonds 5.00% due 10/15/35	\$ 1,500,000	\$ 1,780,680
County of Warren MS 6.50% due 09/01/32	1,000,000	1,110,620
<b>Total Mississippi</b>		<b>2,891,300</b>
<b>Wisconsin – 2.3%</b>		
Wisconsin Health & Educational Facilities Authority 5.00% due 11/15/16 <sup>2</sup>	1,250,000	1,266,225
WPPI Energy Revenue Bonds 5.00% due 07/01/37	1,000,000	1,172,990
<b>Total Wisconsin</b>		<b>2,439,215</b>
<b>Alabama – 2.2%</b>		
Alabama Special Care Facilities Financing Authority-Birmingham Alabama Revenue Bonds 5.00% due 06/01/32	2,000,000	2,374,640
<b>Colorado – 2.2%</b>		
City & County of Denver CO Airport System Revenue 5.00% due 11/15/43	1,000,000	1,177,870
Colorado Health Facilities Authority 5.25% due 01/01/45	1,000,000	1,146,000
<b>Total Colorado</b>		<b>2,323,870</b>
<b>Kentucky – 2.1%</b>		
County of Owen KY, Waterworks System Revenue 5.63% due 09/01/39	1,000,000	1,101,370
Kentucky Economic Development Finance Authority 5.63% due 08/15/27	1,000,000	1,087,560
<b>Total Kentucky</b>		<b>2,188,930</b>
<b>District of Columbia – 1.9%</b>		
District of Columbia Housing Finance Agency, AMT, (FHA) 5.10% due 06/01/37	1,970,000	2,014,601
<b>Delaware – 1.6%</b>		
Delaware State Economic Development Authority 5.40% due 02/01/31	1,500,000	1,715,955
<b>Nevada – 1.6%</b>		
Las Vegas Valley Water District 5.00% due 06/01/31	1,435,000	1,677,515
<b>Rhode Island – 1.4%</b>		
Rhode Island Convention Center Authority, (Assured Gty) (AGC) 5.50% due 05/15/27	1,300,000	1,464,762

See notes to financial statements.

**PORTFOLIO OF INVESTMENTS continued**

July 31, 2016

	Face Amount	Value
<b>MUNICIPAL BONDS<sup>††</sup> – 168.2% (continued)</b>		
<b>Virginia – 1.3%</b>		
Washington County Industrial Development Authority 7.50% due 07/01/29	\$ 1,250,000	\$ 1,417,350
<b>Arkansas – 1.3%</b>		
Arkansas Development Finance Authority Revenue Bonds 1.99% due 09/01/44 <sup>‡</sup>	1,400,000	1,399,244
<b>Alaska – 1.1%</b>		
City of Anchorage Alaska Electric Revenue Revenue Bonds 5.00% due 12/01/41	1,000,000	1,191,840
<b>South Carolina – 1.1%</b>		
South Carolina Public Service Authority Revenue Bonds 5.00% due 12/01/48	1,000,000	1,169,330
<b>Hawaii – 1.1%</b>		
Hawaii Pacific Health 5.63% due 07/01/30	1,000,000	1,161,900
<b>New Hampshire – 1.1%</b>		
New Hampshire Health & Education Facilities Authority 5.00% due 01/01/34	1,000,000	1,158,120
<b>Oklahoma – 1.1%</b>		
Oklahoma Development Finance Authority 5.00% due 02/15/34	1,000,000	1,144,000
<b>West Virginia – 0.6%</b>		
West Virginia Economic Development Authority Revenue Bonds, AMT 2.88% due 12/15/26	600,000	603,516
<b>Maryland – 0.5%</b>		
Maryland Economic Development Corp. 5.75% due 09/01/25	500,000	488,590
<b>Total Municipal Bonds</b> (Cost \$162,028,535)		177,768,615
<b>Total Investments – 170.4%</b> (Cost \$164,375,524)		\$ 180,115,604
<b>Preferred Shares – (65.7)%</b>		(69,450,000)
<b>Other Assets &amp; Liabilities, net – (4.7)%</b>		(4,983,533)
<b>Total Net Assets – 100.0%</b>		\$ 105,682,071

See notes to financial statements.

- † Value determined based on Level 1 inputs — See Note 2.
- †† Value determined based on Level 2 inputs — See Note 2.
- 1 Rate indicated is the 7-day yield as of July 31, 2016.
- 2 Zero coupon rate security.
- 3 Variable rate security. Rate indicated is rate effective at July 31, 2016.
- 4 Security is a 144A or Section 4(a) (2) security. The total market value of 144A or Section 4(a) (2) securities is \$2,186,310 (cost \$2,030,693), or 2.1% of total net assets. These securities have been determined to be liquid under guidelines established by the Board of Trustees.
- 5 The bond is prerefunded. U.S. government or U.S. government agency securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date and price indicated under the Optional Call Provisions.

- AGC Insured by Assured Guaranty Corporation
- AGM Insured by Assured Guaranty Municipal Corporation
- AMBAC Insured by Ambac Assurance Corporation
- AMT Income from this security is a preference item under the Alternative Minimum Tax
- FGIC Insured by Financial Guaranty Insurance Company
- FHA Guaranteed by Federal Housing Administration

The following table summarizes the inputs used to value the Fund's investments at July 31, 2016 (See Note 2 in the Notes to Financial Statements):

	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
<b>Assets:</b>				
Municipal Bonds	\$ —	\$177,768,615	\$ —	\$177,768,615
Short Term Investments	2,346,989	—	—	2,346,989
<b>Total</b>	<b>\$ 2,346,989</b>	<b>\$177,768,615</b>	<b>\$ —</b>	<b>\$180,115,604</b>

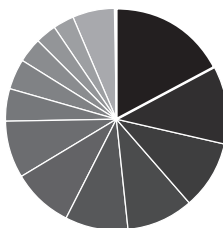
Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. Transfers between valuation levels, if any, are in comparison to the valuation levels at the end of the previous fiscal year, and are effective using the fair value as of the end of the current fiscal period.

For the period ended July 31, 2016, there were no transfers between levels.

See notes to financial statements.

**Sector Concentration\***

Medical	17.5%	■
Transportation	11.3%	■
Higher Education	9.9%	■
General Obligation	9.7%	■
Power	9.3%	■
Prerefunded	8.9%	■
Industrial		
Development	8.2%	■
Water and Sewer	4.9%	■
Education	4.2%	■
Facilities	3.7%	■
Airport	3.2%	■
Lease	2.9%	■
All Other Sectors	6.3%	■



\*As a percentage of long-term investments.

**State/Territory Allocations\***

California	14.2%	■
Texas	10.2%	■
Florida	6.1%	■
Louisiana	5.4%	■
Illinois	5.3%	■
Pennsylvania	5.3%	■
Massachusetts	4.6%	■
New York	4.5%	■
Arizona	4.4%	■
Michigan	4.0%	■
All other states	36.0%	■



\*As a percentage of long-term investments.

Portfolio composition and holdings are subject to change daily. For more information, please visit [guggenheiminvestments.com/mzf](http://guggenheiminvestments.com/mzf). The above summaries are provided for informational purposes only and should not be viewed as recommendations. Past performance does not guarantee future results.

**Maturity Breakdown\***

0-5 Years	9.6%	■
6-10 Years	11.4%	■
11-15 Years	23.1%	■
16-20 Years	25.7%	■
21-25 Years	11.3%	■
26-30 Years	16.5%	■
31-35 Years	1.8%	■
35-40 Years	0.6%	■



\*As a percentage of long-term investments.

See notes to financial statements.

# STATEMENT OF ASSETS AND LIABILITIES

July 31, 2016

## ASSETS:

Investments, at value	\$ 180,115,604
Receivables:	
Interest	1,536,294
Cash	55,000
Other assets	9,969
<b>Total assets</b>	<b>181,716,867</b>

## LIABILITIES:

Payable for:	
Investments purchased	6,290,245
Professional fees	73,140
Distributions – preferred shareholders	54,506
Investment advisory fees	44,601
Listing fees	36,609
Servicing agent fees	29,694
Fund accounting fees	19,232
Printing fees	18,262
Administration fees	3,698
Trustees' fees and expenses*	3,408
Transfer agent fees	1,789
Custodian fees	1,690
Other liabilities	7,922
<b>Total liabilities</b>	<b>6,584,796</b>

## PREFERRED SHARES, at redemption value:

\$0.001 par value per share; 2,778 Auction Market Preferred Shares authorized, issued and outstanding at \$25,000 per share liquidated preference	69,450,000
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<b>NET ASSETS</b>	<b>\$ 105,682,071</b>
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## NET ASSETS CONSIST OF:

Common shares, \$0.001 par value per share; unlimited shares of shares authorized, 6,800,476 shares issued and outstanding	\$ 6,800
Additional paid-in capital	95,057,477
Distributions in excess of net investment income	(106,011)
Accumulated net realized loss on investments	(5,016,275)
Net unrealized appreciation on investments	15,740,080
<b>NET ASSETS</b>	<b>\$ 105,682,071</b>
Shares outstanding (\$0.01 par value with unlimited amount authorized)	6,800,476
Net asset value, offering price and repurchase price per share	\$ 15.54
Investments in securities, at cost	164,375,524

\* Relates to Trustees not deemed "interested persons" within the meaning of Section 2(a)(1a) of the 1940 Act.

See notes to financial statements.

**STATEMENT OF OPERATIONS**

July 31, 2016

For the Year Ended July 31, 2016

**INVESTMENT INCOME:**

Interest	\$ 7,077,849
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**EXPENSES:**

Investment advisory fees	670,532
Servicing fees	447,022
Professional fees	120,161
Auction agent fees – preferred shares	119,553
Fund accounting fees	65,965
Trustees' fees and expenses*	54,802
Administration fees	47,281
Printing fees	31,513
Listing fees	23,790
Transfer agent fees	20,487
Custodian fees	9,627
Insurance	9,083
Other expenses	6,378

Total expenses	1,626,194
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Investment advisory fees waived	(154,738)
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Servicing fees waived	(103,159)
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Net expenses	1,368,297
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Net investment income	5,709,552
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**NET REALIZED AND UNREALIZED GAIN (LOSS):**

Net realized loss on:

Investments	(124,994)
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Net change in unrealized appreciation (depreciation) on:

Investments	5,062,442
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Net realized and unrealized gain	4,937,448
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**Distributions to Auction Market Preferred Shareholders from**

Net Investment Income	(1,097,271)
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**Net increase in net assets applicable to common shareholders  
resulting from operations**

\$ 9,549,729
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\* Relates to Trustees not deemed “interested persons” within the meaning of Section 2(a)(19) of the 1940 Act.

See notes to financial statements.



**STATEMENTS OF CHANGES IN NET ASSETS**

July 31, 2016

	Year Ended July 31, 2016	Year Ended July 31, 2015
<b>INCREASE IN NET ASSETS FROM OPERATIONS:</b>		
Net investment income	\$ 5,709,552	\$ 5,999,448
Net realized gain (loss) on investments	(124,994)	29,630
Net change in unrealized appreciation on investments	5,062,442	1,054,933
Net increase in net assets resulting from operations	10,647,000	7,084,011
<b>DISTRIBUTIONS TO PREFERRED SHAREHOLDERS FROM:</b>		
Net investment income	(1,097,271)	(962,743)
Net increase in net assets applicable to common shareholders resulting from operations	9,549,729	6,121,268
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income	(4,761,281)	(5,142,520)
Return of capital	(210,547)	–
Total distributions	(4,971,828)	(5,142,520)
Net increase in net assets	4,577,901	978,748
<b>NET ASSETS:</b>		
Beginning of period	101,104,170	100,125,422
End of period	\$ 105,682,071	\$ 101,104,170
Distributions in excess of net investment income	\$ (106,011)	\$ (34,780)

See notes to financial statements.

	Year Ended July 31, 2016	Year Ended July 31, 2015	Year Ended July 31, 2014	Year Ended July 31, 2013	Year Ended July 31, 2012
<b>Per Share Data:</b>					
Net asset value, beginning of period	\$ 14.87	\$ 14.72	\$ 13.61	\$ 15.41	\$ 14.02
Income from investment operations:					
Net investment income <sup>(a)</sup>	0.84	0.88	0.95	1.02	1.09
Net gain (loss) on investments (realized and unrealized)	0.72	0.17	1.13	(1.74)	1.43
<b>Distributions to preferred shareholders from net investment income (common share equivalent basis)</b>	(0.16)	(0.14)	(0.13)	(0.14)	(0.14)
Total from investment operations	1.40	0.91	1.95	(0.86)	2.38
Less distributions from:					
Net investment income	(0.70)	(0.76)	(0.84)	(0.94)	(0.99)
Return of capital	(0.03)	—	—	—	—
Total distributions	(0.73)	(0.76)	(0.84)	(0.94)	(0.99)
Net asset value, end of period	\$ 15.54	\$ 14.87	\$ 14.72	\$ 13.61	\$ 15.41
Market value, end of period	\$ 14.62	\$ 13.66	\$ 13.57	\$ 12.46	\$ 16.21
<b>Total Return<sup>(b)</sup></b>					
Net asset value	9.68%	6.19%	14.87%	-6.01%	17.50%
Market value	12.79%	6.43%	16.29%	-18.13%	28.56%
<b>Ratios/Supplemental Data:</b>					
Net assets, end of period (in thousands)	\$ 105,682	\$ 101,104	\$ 100,125	\$ 92,573	\$ 104,622
Preferred shares, at redemption value (\$25,000 per share liquidation preference) (thousands)	\$ 69,450	\$ 69,450	\$ 69,450	\$ 69,450	\$ 69,450
Preferred shares asset coverage per share	\$ 63,043	\$ 61,395	\$ 61,042	\$ 58,324	\$ 62,661
Ratio to average net assets of:					
Net investment income <sup>(c)</sup>	5.57%	5.85%	6.86%	6.70%	7.38%
Expenses (including interest expense and net of fee waivers) <sup>(c)(d)</sup>	1.34%	1.35%	1.40%	1.33%	1.36%
Expenses (including interest expense and excluding fee waivers) <sup>(c)(d)</sup>	1.59%	1.60%	1.66%	1.58%	1.62%
Portfolio turnover rate <sup>(e)</sup>	14%	12%	15%	23%	15%

(a) Based on average shares outstanding.

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

(c) Calculated on the basis of income and expense applicable to both common and preferred shares relative to average net assets of common shareholders.

(d) The impact of interest expense is less than 0.01%.

(e) Portfolio turnover is not annualized for periods less than one year.

See notes to financial statements.

**Note 1 – Organization:**

The Managed Duration Investment Grade Municipal Fund (the “Fund”) was organized as a Delaware statutory trust on May 20, 2003. The Fund is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund’s investment objective is to provide its common shareholders with high current income exempt from regular federal income tax while seeking to protect the value of the Fund’s assets during periods of interest rate volatility. Prior to commencing operations on August 27, 2003, the Fund had no operations other than matters relating to its organization and registration and the sale and issuance of 6,981 common shares of beneficial interest to MBIA Capital Management Corp. (now known as Cutwater Investor Services Corp.).

**Note 2 – Accounting Policies:**

The Fund operates as an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

The following significant accounting policies are in conformity with U.S. generally accepted accounting principles (“GAAP”) and are consistently followed by the Fund. This requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All time references are based on Eastern Time.

**(a) Valuation of Investments**

The Board of Trustees of the Fund (the “Board”) has adopted policies and procedures for the valuation of the Fund’s investments (the “Valuation Procedures”). Pursuant to the Valuation Procedures, the Board has delegated to Cutwater’s valuation committee (the “Valuation Committee”), the day-to-day responsibility for implementing the Valuation Procedures, including, under most circumstances, the responsibility for determining the fair value of the Fund’s securities or other assets.

The municipal bonds and preferred shares in which the Fund invests are traded primarily in the over-the-counter markets. In determining net asset value, the Fund uses the valuations of portfolio securities furnished by a pricing service approved by the Board. The pricing service typically values portfolio securities at the bid price or the yield equivalent when quotations are readily available. Securities for which quotations are not readily available are valued at fair market value on a consistent basis as determined by the pricing service using a matrix system to determine valuations. The procedures of the pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Board.

Investments for which market quotations are not readily available are fair valued as determined in good faith by Cutwater Investor Services Corp. (the “Adviser”), pursuant to methods established or ratified by the Board. Valuations in accordance with these methods are intended to reflect each security’s (or asset’s) “fair value.” Each such determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to: (i) the type of security, (ii) the initial cost of the security,

(iii) the existence of any contractual restrictions on the security's disposition, (iv) the price and extent of public trading in similar securities of the issuer or of comparable companies, (v) quotations or evaluated prices from broker-dealers and/or pricing services, (vi) information obtained from the issuer, analysts, and/or the appropriate stock exchange (for exchange traded securities), (vii) an analysis of the company's financial statements, and (viii) an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold (e.g. the existence of pending merger activity, public offerings or tender offers that might affect the value of the security).

There are three different categories for valuations. Level 1 valuations are those based upon quoted prices in active markets. Level 2 valuations are those based upon quoted prices in inactive markets or based upon significant observable inputs (e.g. yield curves; benchmark interest rates; indices). Level 3 valuations are those based upon unobservable inputs (e.g. discounted cash flow analysis; non-market based methods used to determine fair valuation).

The Fund values Level 1 securities using readily available market quotations in active markets. Money market funds are valued at net asset value. The Fund values Level 2 fixed income securities using independent pricing providers who employ matrix pricing models utilizing market prices, broker quotes and prices of securities with comparable maturities and qualities. The Fund values Level 2 equity securities using various observable market inputs as described above. The Fund did not have any Level 3 securities during the year ended July 31, 2016.

#### **(b) Investment Transactions and Investment Income**

Investment transactions are accounted for on the trade date for financial reporting purposes. Realized gains and losses on investments are determined on the identified cost basis. Interest income, including the amortization of premiums and accretion of discount, is accrued daily.

#### **(c) Dividends and Distributions**

The Fund declares and pays on a monthly basis dividends from net investment income to common shareholders. Distributions of net realized capital gains, if any, will be paid at least annually. Dividends and distributions to shareholders are recorded on the ex-dividend date. Dividends and distributions to preferred shareholders are accrued and determined as described in Note 6.

#### **(d) Inverse Floating Rate Investments and Floating Rate Note Obligations**

Inverse floating rate instruments are notes whose coupon rate fluctuates inversely to a predetermined interest rate index. These instruments typically involve greater risks than a fixed rate municipal bond. In particular, the holder of these inverse floating rate instruments retains all credit and interest rate risk associated with the full underlying bond and not just the par value of the inverse floating rate instrument. As such, these instruments should be viewed as having inherent leverage and therefore involve many of the risks associated with leverage. Leverage is a speculative technique that may expose the Fund to greater risk and increased costs. Leverage may cause the Fund's net asset value to be more volatile than if it had not been leveraged because leverage tends to magnify the effect of any increases or decreases in the value of the Fund's portfolio securities. The use of leverage may also cause the Fund to liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations with respect to inverse floating rate instruments.

The Fund may invest in inverse floating rate securities through either a direct purchase or through the transfer of bonds to a dealer trust in exchange for cash and/or residual interests in the dealer trust. For those inverse floating rate securities purchased directly, the instrument is included in the Portfolio of Investments with income recognized on an accrual basis. The Fund did not invest in inverse floating rate securities during the year ended July 31, 2016.

**(e) Indemnifications**

Under the Fund's organizational documents, its Trustees and Officers are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, throughout the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund and/or its affiliates that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

**Note 3 – Agreements:**

Pursuant to an Investment Advisory Agreement (the "Advisory Agreement") between the Adviser and the Fund, the Adviser is responsible for the daily management of the Fund's portfolio, which includes buying and selling securities for the Fund, as well as investment research, subject to the direction of the Fund's Board. The Advisory Agreement provides that the Fund shall pay to the Adviser a monthly fee for its services at the annual rate of 0.39% of the sum of the Fund's average daily managed assets. ("Managed Assets" represent the Fund's total assets including the assets attributable to the proceeds from any financial leverage but excluding the assets attributable to floating rate note obligations, minus liabilities, other than debt representing financial leverage.) The Adviser contractually agreed to waive a portion of the management fees it is entitled to receive from the Fund at the annual rate of 0.09% of the Fund's average daily Managed Assets.

On January 2, 2015, BNY Mellon acquired Cutwater Asset Management. As a result of this acquisition, the Adviser became an indirect wholly-owned subsidiary of BNY Mellon.

Pursuant to a Servicing Agreement, Guggenheim Funds Distributors, LLC (the "Servicing Agent") acts as servicing agent to the Fund. The Servicing Agent receives an annual fee from the Fund, payable monthly in arrears, in an amount equal to 0.26% of the average daily value of the Fund's Managed Assets. The Servicing Agent contractually agreed to waive a portion of the servicing fee it is entitled to receive from the Fund at the annual rate of 0.06% of the average daily value of the Fund's Managed Assets.

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

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

The Bank of New York Mellon (“BNY”) acts as the Fund’s custodian, accounting agent and auction agent. As custodian, BNY is responsible for the custody of the Fund’s assets. As accounting agent, BNY is responsible for maintaining the books and records of the Fund. As auction agent, BNY is responsible for conducting the auction of the preferred shares.

Certain officers and/or trustees of the Fund are officers and/or directors of the Adviser and the Servicing Agent. The Fund does not compensate its officers or trustees who are officers, directors and/or employees of the aforementioned firms.

#### Note 4 – Federal Income Taxes:

The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies. Accordingly, no provision for U.S. federal income taxes is required. In addition, by distributing substantially all of its ordinary income and long-term capital gains, if any, during each calendar year, the Fund intends not to be subject to U.S. federal excise tax.

At July 31, 2016, the following reclassification was made to the capital accounts of the Fund to reflect permanent book/tax differences. Net investment income, net realized gains and net assets were not affected by these changes.

	Accumulated Net Investment Loss	Accumulated Net Realized Loss	Additional Paid-in Capital
	\$77,769	\$–	\$(77,769)

Information on the tax components of investments as of July 31, 2016, is as follows:

Cost of Investments for Tax Purposes	Gross Tax Unrealized Appreciation	Gross Tax Unrealized Depreciation	Net Tax Unrealized Appreciation on Investments
\$164,375,524	\$16,059,892	\$(319,812)	\$15,740,080

As of July 31, 2016, the components of accumulated earnings/(losses) on a tax basis were as follows:

Undistributed Tax-Exempt Income	Undistributed Ordinary Income	Accumulated Capital and Other Losses	Unrealized Appreciation	Other Temporary Differences	Total
\$–	\$–	\$(5,016,275)	\$15,740,080	\$(106,011)	\$10,617,794

For Federal income tax purposes, capital loss carryforwards represent realized losses of the Funds that may be carried forward and applied against future capital gains. For taxable years beginning on or before December 22, 2010, such capital losses may be carried forward for a maximum of eight years. Under the RIC Modernization Act of 2010, the Funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those taxable years must be utilized prior to the losses incurred in pre-enactment taxable years. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law. As of July 31, 2016, the capital loss carryforward for

the Fund was \$4,458,745. This entire amount is due to expire on July 31, 2017 if unused. During the current year, \$77,769 of capital loss carryforward was utilized against capital gains.

Pursuant to Federal income tax regulations applicable to investment companies, the Fund has elected to treat net capital losses and certain ordinary losses realized between November 1 and July 31 of each year as occurring on the first day of the following tax year. The Fund has also elected to treat certain ordinary losses realized between January 1 and July 31 of each year as occurring on the first day of the following tax year. For the year ended July 31, 2016, the following losses reflected in the accompanying financial statements were deferred for Federal income tax purposes until August 1, 2016:

Ordinary	Capital
\$-	\$(557,530)

Distributions paid to shareholders during the tax years ended July 31, 2016 and 2015 were characterized as follows:

	Tax-exempt income	Ordinary income	Return of capital	Total distributions
2016	\$ 5,639,827	\$ 218,725	\$ 210,547	\$ 6,069,099
2015	\$ 5,956,165	\$ 149,098	\$ -	\$ 6,105,263

For all open tax years and all major jurisdictions, management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Uncertain tax positions are tax positions taken or expected to be taken in the course of preparing the Fund's tax returns that would not meet a more-likely-than-not threshold of being sustained by the applicable tax authority and would be recorded as a tax expense in the current year. Open tax years are those years that are open for examination by taxing authorities (i.e. generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Fund is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

#### Note 5 – Investment Transactions:

Purchases and sales of investment securities, excluding short-term investments, for the year ended July 31, 2016, aggregated \$28,789,545 and \$24,264,829, respectively.

#### Note 6 – Capital:

There are an unlimited number of \$.001 par value common shares of beneficial interest authorized and 6,800,476 common shares outstanding at July 31, 2016.

In connection with the Fund's dividend reinvestment plan, the Fund did not issue any shares during the years ended July 31, 2016 and 2015.

On October 27, 2003, the Fund issued 1,389 shares of Auction Market Preferred Shares ("AMPS"), Series M7 and 1,389 shares of AMPS, Series W28. The preferred shares have a liquidation value of \$25,000 per share plus any accumulated unpaid dividends. As of July 31, 2016, the Fund had 1,389 shares each of AMPS, Series M7 and W28, outstanding. Dividends on the preferred shares are cumulative at a rate that is set by auction procedures. Distributions of net realized capital gains, if any, are made annually.

The broad auction-rate preferred securities market, including the Fund's AMPS, has experienced considerable disruption since mid-February 2008. The result has been failed auctions on nearly all auction-rate preferred shares, including the Fund's AMPS. A failed auction is not a default, nor does it require the redemption of the Fund's AMPS.

Provisions in the AMPS offering documents establish a maximum rate in the event of a failed auction. The AMPS reference rate is the higher of LIBOR or 90% of the taxable equivalent of the short-term municipal bond rate. The maximum rate, for auctions for which the Fund has not given notice that the auction will consist of net capital gains or other taxable income, is the higher of the reference rate times 125% or the reference rate plus 1.25%.

Management will continue to monitor events in the marketplace and continue to evaluate the Fund's leverage as well as any alternative that may be available.

The range of dividend rates on the Fund's AMPS for the year ended July 31, 2016, were as follows:

Series	Low	High	At 7/31/16	Next Auction Date
M7	1.399%	1.935%	1.935%	8/1/16
W28	1.399%	1.906%	1.906%	8/3/16

The Fund is subject to certain limitations and restrictions while the AMPS are outstanding. Failure to comply with these limitations and restrictions could preclude the Fund from declaring any dividends or distributions to common shareholders or repurchasing common shares and/or could trigger the mandatory redemption of AMPS at their liquidation value plus any accrued dividends.

The Fund's AMPS, which are entitled to one vote per share, generally vote with the common shares but vote separately as a class to elect two Trustees and on any matters affecting the rights of the Fund's AMPS.

#### Note 7 – Subsequent Event:

On September 27, 2016, the Board of Trustees (the "Board") approved a transition of fund administration and shareholder servicing arrangements to The Bank of New York Mellon and certain of its affiliates. In connection with this transition, the Board voted to terminate the Fund Administration Agreement between the Fund and RFS effective October 3, 2016. In conjunction with this termination, the Board approved an interim Fund Administration Agreement between the Fund and Guggenheim Funds Investment Advisors, LLC, effective October 3, 2016, which will terminate on November 1, 2016. The Board also approved a new Fund Administration and Accounting Agreement between the Fund and The Bank of New York Mellon effective November 1, 2016. In addition, the Board voted to terminate the Servicing Agreement between the Fund and Guggenheim Funds Distributors, LLC effective November 1, 2016. In conjunction with this termination, the Board approved a new Services Agreement among the Fund, the Adviser and MBSC Services Corporation effective November 1, 2016. The Board also voted to eliminate the current advisory fee waiver effective November 1, 2016. Additionally, the Board approved an increase in the size of the Board from five trustees to seven. The two openings on the Board are expected to be filled through an election by shareholders at the Fund's 2016 annual meeting of shareholders held in late 2016.



**The Board of Trustees and Shareholders of Managed Duration Investment Grade Municipal Fund**

We have audited the accompanying statement of assets and liabilities of Managed Duration Investment Grade Municipal Fund (the Fund), including the portfolio of investments, as of July 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of July 31, 2016, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Managed Duration Investment Grade Municipal Fund at July 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.

The logo for Ernst & Young LLP, featuring the company name in a stylized, cursive script font.

Chicago, Illinois  
September 29, 2016

**Federal Income Tax Information**

Subchapter M of the Internal Revenue Code of 1986, as amended, requires the Fund to advise shareholders within 60 days of the Fund's tax year end (July 31, 2016) as to the federal tax status of dividends and distributions received by shareholders during such tax period. Accordingly, please note that the majority of dividends paid from net investment income from the Fund during the tax period ended July 31, 2016 was federally exempt interest dividends. The Fund has invested in municipal bonds containing market discount, whose accretion is taxable and accordingly, 3.6% of the dividends paid from net investment income during the tax period are attributable to this taxable income. Therefore, the Fund designated \$5,639,827 as tax-exempt income.

Since the Fund's fiscal year is not the calendar year, another notification will be sent with respect to calendar year 2016. In January 2017, you will be advised on IRS Form 1099 DIV or substitute 1099 DIV as to the federal tax status of the dividends and distributions received during calendar year 2016. The amount that will be reported will be the amount to use on your 2016 federal income tax return and may differ from the amount which must be reported in connection with the Fund's tax year ended July 31, 2016. Shareholders are advised to consult with their tax advisers as to the federal, state and local tax status of the income received from the Funds. In January 2017, an allocation of interest by state will be provided which may be of value in reducing a shareholder's state or local tax liability, if any.

**Trustees**

The Trustees of the Managed Duration Investment Grade Municipal Fund and their principal occupations during the past five years:

Name, Address*, and Year of Birth	Position(s) Held with Trust	Term of Office and Length of Time Served**	Principal Occupation(s) during Past Five Years	Number of Portfolios in Fund Complex Overseen by Trustee***	Other Directorships Held by Trustees
<b>Independent Trustees:</b>					
<b>Randall C. Barnes</b> (1951)	Trustee	Since 2006	Current: Private Investor (2007-present). Former: Senior Vice President and Treasurer, PepsiCo, Inc. (1993-1997); President, Pizza Hut International (1991-1993); Senior Vice President, Strategic Planning and New Business Development, PepsiCo, Inc. (1987-1990).	101	Current: Trustee, Purpose Investments Funds (2014-present).
<b>Ronald A. Nyberg</b> (1953)	Trustee and Chairman of the Nominating and Governance Committee	Since 2003	Current: Partner, Mornkus McCluskey Roberts, LLC (2016-present). Former: Partner, Nyberg & Cassioppi, LLC (2000-2016); Executive Vice President, General Counsel, and Corporate Secretary, Van Kampen Investments (1982-1999).	103	Current: Edward-Elmhurst Healthcare System (2012-present).

**SUPPLEMENTAL INFORMATION (Unaudited) continued**

July 31, 2016

Name, Address, and Year of Birth	Position(s) Held with Trust	Term of Office and Length of Time Served***	Principal Occupation(s) during Past Five Years	Number of Portfolios Overseen by Trustee***	Other Directorships Held by Trustees
<b>Independent Trustees continued:</b>					
<b>Ronald E. Toupin, Jr.</b> (1958)	Trustee and Chairman of the Board	Since 2003	Current: Portfolio Consultant (2010-present). Former: Vice President, Manager and Portfolio Manager, Nuveen Asset Management (1998-1999); Vice President, Nuveen Investment Advisory Corp. (1992-1999); Vice President and Manager, Nuveen Unit Investment Trusts (1991-1999); and Assistant Vice President and Portfolio Manager, Nuveen Unit Investment Trusts (1988-1999), each of John Nuveen & Co., Inc. (1982-1999).	100	Former: Bennett Group of Funds (2011-2013).
<b>Interested Trustees:</b>					
<b>Donald C. Cacciopaglia</b> † (1951)	Trustee	Since 2012	Current: President and CEO, certain other funds in the Fund Complex (2012-present); Vice Chairman, Guggenheim Investments (2010-present). Former: Chairman and CEO, Channel Capital Group, Inc. (2002-2010).	232	Current: Clear Spring Life Insurance Company (2015-present); Guggenheim Partners Japan, Ltd. (2014-present); Delaware Life (2013-present); Guggenheim Life and Annuity Company (2011-present); Paragon Life Insurance Company of Indiana (2011-present).
<b>Clifford D. Corso</b> † (1961)	Trustee, Chief Executive Officer and President	Since 2003	Current: CEO Insight Investment of North America, Executive Vice President & Chief Investment Officer (2008-present), Vice President (2004-2008), MBIA Inc. Chief Executive Officer & Chief Investment Officer (2010-present), President (2004-2010), Managing Director (2000-2004), Cutwater Holdings, LLC. Chief Executive Officer & Chief Investment Officer (2010-present), President and Investment Officer (2000-2010), Cutwater Asset Management Corp.	1	None

\* The business address of each Trustee unless otherwise noted is c/o Guggenheim Investments, 227 West Monroe Street, Chicago, IL 60606.

\*\* Each Trustee is expected to serve a three-year term concurrent with the class of Trustees for which he serves:

-Messrs. Barnes and Corso are Class III Trustees. Class III Trustees are expected to stand for re-election at the Fund's annual meeting of shareholders to be held in 2016.

-Mr. Nyberg, as a holdover Class I Trustee, and Mr. Toupin, as a holdover Class II Trustee, are expected to stand for re-election at the Fund's annual meeting of shareholders to be held in 2017 and 2018, respectively.

-Mr. Donald Cacciopaglia is a Class II Trustee. A Class II Trustee is expected to stand for re-election at the Fund's annual meeting of shareholders to be held in 2018.

\*\*\* As of period end. The Guggenheim Investments Fund Complex consists of U.S. registered investment companies advised or serviced by Guggenheim Funds Investment Advisors, LLC or Guggenheim Funds Distributors, LLC and/or affiliates of such entities. The Guggenheim Investments Fund Complex is overseen by multiple Boards of Trustees.

† Mr. Donald C. Cacciopaglia is an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) ("Interested Trustee") of the Fund because of his position as an officer of Guggenheim Funds Distributors, LLC, the Fund's Servicing Agent and certain of its affiliates.

†† Mr. Clifford D. Corso is an "interested person" (as defined in Section 2(a)(19) of the 1940 Act) ("Interested Trustee") of the Fund because of his position as an officer of Cutwater Investor Services Corp., the Fund's Investment Adviser.

**Officers**

The Officers, of the Managed Duration Investment Grade Municipal Fund, who are not trustees, and their principal occupations during the past five years:

Name, Address* and Year of Birth	Position(s) held with the Trust	Term of Office** and Length of Time Served	Principal Occupations During Past Five Years
<b>Officers:</b>			
<b>James M. Howley</b> (1972)	Assistant Treasurer	Since 2006	Current: Director, Guggenheim Investments (2004-present); Assistant Treasurer, certain other funds in the Fund Complex (2006-present).  Former: Manager, Mutual Fund Administration of Yan Kampen Investments, Inc. (1996-2004).
<b>Amy J. Lee</b> (1961)	Chief Legal Officer	Since 2013	Current: Chief Legal Officer, certain other funds in the Fund Complex (2013-present); Senior Managing Director, Guggenheim Investments (2012-present).  Former: Vice President, Associate General Counsel and Assistant Secretary, Security Benefit Life Insurance Company and Security Benefit Corporation (2004-2012).

**SUPPLEMENTAL INFORMATION (Unaudited) continued**

July 31, 2016

Name, Address** and Year of Birth	Position(s) held with the Trust	Term of Office** and Length of Time Served	Principal Occupations During Past Five Years
<b>Officers continued:</b>			
<b>Mark E. Mathiasen</b> (1978)	Secretary	Since 2007	Current: Secretary, certain other funds in the Fund Complex (2007-present); Managing Director, Guggenheim Investments (2007-present).
<b>Michael P. Megaris</b> (1984)	Assistant Secretary	Since 2014	Current: Assistant Secretary, certain other funds in the Fund Complex (2014-present); Vice President, Guggenheim Investments (2012-present). Former: J.D., University of Kansas School of Law (2009-2012).
<b>Adam Nelson</b> (1979)	Assistant Treasurer	Since 2015	Current: Vice President, Guggenheim Investments (2015-present); Assistant Treasurer, certain other funds in the Fund Complex (2015-present).
<b>Kimberly J. Scott</b> (1974)	Assistant Treasurer	Since 2012	Former: Assistant Vice President and Fund Administration Director, State Street Corporation (2013-2015); Fund Administration Assistant Director, State Street (2011-2013); Fund Administration Manager, State Street (2009-2011). Current: Vice President, Guggenheim Investments (2012-present); Assistant Treasurer, certain other funds in the Fund Complex (2012-present).
<b>Robin J. Shulman</b> (1964)	Chief Compliance Officer	Since 2015	Former: Financial Reporting Manager, Invesco, Ltd. (2010-2011); Vice President/Assistant Treasurer of Mutual Fund Administration, Van Kampen Investments, Inc./Morgan Stanley Investment Management (2009-2010); Manager of Mutual Fund Administration, Van Kampen Investments, Inc./Morgan Stanley Investment Management (2005-2009). Current: Managing Director and Chief Compliance Officer, Cutwater Asset Management / Chief Compliance Officer, Insight Investment – North America (2015-present); Chief Compliance Officer, Cutwater Select Income Fund (2015-present). Former: Chief Compliance Officer, Horizon Kinetics (2010-2015); Compliance Officer, Seix Investment Advisors LLC (2004-2010); Director, Business Risk Management and Compliance Groups of Deutsch Asset Management, Americas (1998-2004); Compliance Manager, Ernst & Young, LLP (1997-1998); Compliance Manager, Prudential Financial (1986-1997).

Name, Address** and Year of Birth	Position(s) held with the Trust	Term of Office*** and Length of Time Served	Principal Occupations During Past Five Years
<b>Officers continued:</b>			
<b>John L. Sullivan</b> (1955)	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2010	Current: CFO, Chief Accounting Officer and Treasurer, certain other funds in the Fund Complex (2010-present); Senior Managing Director, Guggenheim Investments (2010-present).  Former: Managing Director and CCO, each of the funds in the Van Kampen Investments fund complex (2004-2010); Managing Director and Head of Fund Accounting and Administration, Morgan Stanley Investment Management (2002-2004); CFO and Treasurer, Van Kampen Funds (1996-2004).

\* The business address of each officer is c/o Guggenheim Investments, 227 West Monroe Street, Chicago, IL 60606.

\*\* Officers serve at the pleasure of the Board of Trustees and until his or her successor is appointed and qualified or until his or her earlier resignation or removal.

Pursuant to the Fund's Automatic Dividend Reinvestment Plan (the "Plan"), unless a shareholder is ineligible or elects otherwise, all dividend and capital gains distributions are automatically reinvested by Computershare Trust Company N.A. ("the Plan Administrator"), as agent for shareholders in administering the Plan (the "Plan Agent"), in additional common shares of the Fund. Shareholders whose shares are held in the name of a broker or nominee should contact such broker or nominee to confirm that they are eligible to participate in the Plan. Shareholders who are ineligible or who elect not to participate in the Plan will receive all dividends and distributions in cash paid by check mailed directly to the shareholder of record (or, if the shares are held in street or other nominee name, then to such nominee) by the Plan Administrator, as dividend paying agent. Such shareholders may elect not to participate in the Plan and to receive all distributions of dividends and capital gains in cash by sending written instructions to the Plan Administrator, as dividend paying agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by written notice if received by the Plan Agent not less than ten days prior to any dividend record date; otherwise, such termination will be effective with respect to any subsequently declared dividend or capital gains distribution.

Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as "dividends") payable in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in common shares. The shares are acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund ("newly issued shares") or (ii) by purchase of outstanding common shares on the open market ("open-market purchases") on the New York Stock Exchange or elsewhere. If, on the dividend payment date, the market price per common share plus estimated brokerage commissions is greater than the net asset value per common share (such condition being referred to herein as "market premium"), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant's account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the payment date, provided that, if the net asset value per share is less than or equal to 95% of the market price per share on the payment date, the dollar amount of the dividend will be divided by 95% of the market price per share on the payment date. If on the dividend payment date the net asset value per share is greater than the market value plus estimated brokerage commissions (such condition being referred to herein as "market discount"), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases.

If, before the Plan Agent has completed its open-market purchases, the market price of the common shares exceeds the net asset value per share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend had been paid in newly issued shares on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Agent may cease making open-market purchases and may invest the uninvested portion of the dividend amount in newly issued shares at the net asset value per share at the close of business on the last purchase date; provided that, if the net asset value per share is less than 95% of the

market price per share on the payment date, the dollar amount of the dividend will be divided by 95% of the market price per share on the payment date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the account, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Plan Agent in the name of the participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held pursuant to the Plan in accordance with the instructions of the participants.

There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any Federal, state or local income tax that may be payable (or required to be withheld) on such dividends.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants. All questions and correspondence concerning the Plan should be directed to the Plan Administrator, Computershare Trust Company N.A., P.O. Box 30170, College Station, TX 77842-3170; Attention Shareholder Services Department, Phone Number: (866) 488-3559 or online at [www.computershare.com/investor](http://www.computershare.com/investor).



On May 16, 2016, the Board of Trustees, including the Independent Trustees (those trustees who are not “interested persons” as defined under the Investment Company Act of 1940, as amended (the “Investment Company Act”)), of Managed Duration Investment Grade Municipal Fund (the “Fund”) met to consider the approval of the continuation of the investment advisory agreement (the “Advisory Agreement”) between the Fund and Cutwater Investor Services Corp. (the “Adviser”). As part of their review process, the Independent Trustees were represented by independent legal counsel. The Board of Trustees reviewed materials received from the Adviser, as well as Guggenheim Funds Distributors, LLC (“Guggenheim Distributors”), the servicing agent of the Fund, Rydex Fund Services, LLC (“Rydex” and, together with Guggenheim Distributors, “Guggenheim”), the administrator of the Fund, the Fund and independent legal counsel with respect to contract renewal.

In preparation for their review, the Independent Trustees communicated with independent legal counsel regarding the nature of information to be provided, and independent legal counsel, on behalf of the Independent Trustees, sent a formal request for information to the Adviser and Guggenheim. The Adviser and Guggenheim provided extensive information in response to the request. At a meeting of the Nominating and Governance Committee held on April 28, 2016, the Independent Trustees met to discuss the information provided by the Adviser and Guggenheim, as well as their responsibilities in connection with their consideration of the Fund’s advisory and administrative arrangements. On the basis of the April 28th meeting and in consultation with independent legal counsel, the Independent Trustees sent a formal request for additional information to the Adviser and Guggenheim. The Adviser and Guggenheim supplemented their initial responses with additional information to the satisfaction of the Independent Trustees before or at the May 16th meeting.

Among other information, the Adviser provided general information to assist the Independent Trustees in assessing the nature and quality of services provided by the Adviser; information comparing the investment performance of the Fund to a peer group of closed-end funds selected by the Adviser and Guggenheim with similar characteristics to the Fund including, but not limited to, investment objectives and strategies, effective duration targets, assets under management, the use of leverage and the lack of a termination date (the “Performance Peer Group”); information comparing the advisory fees and expense ratios of a group of funds selected by the Adviser and Guggenheim with investment objectives and strategies, assets under management, the use of leverage and the lack of a termination date similar to the Fund (the “Expense Peer Group”); information comparing the investment performance and advisory fees of the Fund to other institutional clients of the Adviser with similar investment objectives to the Fund; fall-out benefits to the Adviser from advising the Fund; and information about the Adviser’s profitability and the effectiveness of the compliance program adopted by the Adviser.

Based upon its review, the Board of Trustees unanimously concluded that it was in the best interest of the Fund and its shareholders to approve the Advisory Agreement. In deciding to recommend the approval of the Advisory Agreement, the Board of Trustees did not identify any single factor or particular information that, in isolation, was controlling. This summary describes the most important, but not all, of the factors considered by the Board of Trustees.

With respect to the nature, extent and quality of the services provided by the Adviser, the Board of Trustees considered the Adviser’s response to various inquiries, including regulatory and legal issues, the Adviser’s Form ADV, financial information regarding the Adviser and the financial support

provided to the Fund in the form of a fee waiver. The Board of Trustees also considered the key personnel available to manage the portfolio. The Board of Trustees considered the Adviser's ability to achieve the Fund's investment objective of providing common shareholders with high current income exempt from regular federal income tax while seeking to protect the value of the Fund's assets during periods of interest rate volatility, and noted the Fund's current monthly distribution of \$0.0616 per share represented an annualized distribution rate of 5.30% based on the Fund's market price as of March 31, 2016 (or a 9.36% taxable equivalent yield for taxpayers in the 39.6% tax bracket and also taking into account the additional 3.8% Medicare tax), which is below the Performance Peer Group's distribution rate average of 5.39%.

In considering investment performance, the Board of Trustees reviewed the Fund's performance relative to the Barclays Municipal Bond Index and the Barclays High Yield Municipal Index ("Barclays Indices") and the Performance Peer Group. The Board of Trustees reviewed the Fund's total return on a net asset value basis for the six months ended January 31, 2016, one-year, three-year, five-year and since inception periods ended July 31, 2015. It was noted that the Fund outperformed the Barclays Indices for one-year, three-year, five-year and since inception periods ended July 31, 2015. However, the Board of Trustees discussed the Fund's relatively poor performance against the Performance Peer Group for the six months ended January 31, 2016 and the one-year, three-year, five-year and since inception periods ended July 31, 2015, ranking ninth of nine, eighth of nine, sixth of nine, eighth of nine and sixth of nine, respectively. The Board discussed the Fund's performance in light of the Adviser's continued initiative to lower the Fund's interest rate risk by shortening the duration of the Fund's investments in accordance with the Fund's stated strategy and name. In addition, the Board of Trustees noted that during the period of September 1, 2015 through March 31, 2016, the Fund's discount had narrowed from a high of -11.57% during the period to -7.87% at March 31, 2016. However, the Board also noted that the Fund's discount remained wider than the Performance Peer Group's discount of -2.82% at March 31, 2016.

The Board of Trustees then considered the Fund's fees and expenses. In reviewing the Fund's advisory fees, the Trustees factored in the administration fee paid to Rydex and the servicing fee paid to Guggenheim Distributors, since those functions are typically included in the management fees of the Expense Peer Group. The Board of Trustees also compared the Fund's administration fees and servicing fees paid to the Rydex and Guggenheim Distributors, respectively, to similar fees received by Guggenheim from certain of their other institutional clients. In addition, the Board of Trustees compared the administration fee paid to Guggenheim Advisors to the fees that would be charged for similar services provided by an alternate service provider. The Board of Trustees also reviewed materials provided regarding fees charged to other accounts managed by the Adviser. However, the Adviser confirmed to the Board of Trustees that they did not believe that the fees charged to such accounts could be appropriately compared to those charged to the Fund because the management of such accounts differs significantly from the management of the Fund with respect to factors including size, investment guidelines and restrictions, scope and complexity of permitted investments and required levels of service. Furthermore, the Trustees noted that the Adviser and Guggenheim Distributors had proposed to waive portion of the contractual fee payable to each of the Adviser and Guggenheim Distributors, respectively, until June 30, 2017. In addition, the Trustees noted that the combined advisory, administration and servicing fees (net of waivers) were only slightly above the range of the average of the Expense Peer Group. Furthermore, the Board of Trustees noted that the current advisory fee, after giving effect to the fee waivers, ranked the third

lowest of the Expense Peer Group at 0.30% and the current combined advisory and servicing/administration fee, after giving effect to the fee waivers, also ranked the third lowest of the Expense Peer Group at 0.53%; however, the Board of Trustees also discussed the Fund's expense ratio of 1.60%, which was higher than the Expense Peer Group average of 1.32%.

With respect to the profits realized by the Adviser from its relationship with the Fund, the Board of Trustees reviewed information regarding the revenues the Adviser received under the Advisory Agreement as well as the direct and estimated indirect costs the Adviser incurred in providing the services to the Fund. The Trustees noted that the Adviser was earning a reasonable profit from its relationship with the Fund.

With respect to potential economies of scale, the Trustees noted that, as a closed-end fund, the Fund was not expected to materially increase in size. Therefore the Board of Trustees did not consider economies of scale as a principal factor in assessing the fee rates payable under the Advisory Agreement.

**Overall Conclusions**

Based upon all of the information considered and the conclusions reached, the Board of Trustees determined that the terms of the Advisory Agreement continue to be fair and reasonable and that the approval of the Advisory Agreement through June 30, 2017 was in the best interests of the Fund and its shareholders.

**Board of Trustees**

Randall C. Barnes

Donald C. Cacciapaglia\*

Clifford D. Corso\*\*

Ronald A. Nyberg

Ronald E. Toupin, Jr.,

*Chairperson*

\* Trustee is an “interested person” (as defined in section 2 (a) (19) of the 1040 Act) (“Interested Trustee”) of the Fund because of his position as an officer of the Fund’s Servicing Agent and certain of its affiliates.

\*\* Trustee is an “interested person” of the Fund as defined in the Investment Company Act of 1940, as amended, as a result of his position as an officer of the Fund’s Investment Adviser.

**Principal Executive Officers**

Clifford D. Corso

*President and Chief Executive Officer*

Amy J. Lee

*Chief Legal Officer*

Mark E. Mathiasen

*Secretary*

Robin J. Shulman

*Chief Compliance Officer*

John L. Sullivan

*Chief Financial Officer,*

*Chief Accounting Officer and Treasurer*

**Investment Adviser**

Cutwater Investor Services Corp.

New York, NY

**Servicing Agent**

Guggenheim Funds Distributors, LLC

Chicago, IL

**Administrator**

Rydex Fund Services, LLC

Rockville, MD

**Accounting Agent, Custodian and****Auction Agent**

The Bank of New York Mellon

New York, NY

**Legal Counsel**

Simpson Thacher & Bartlett LLP

New York, NY

**Independent Registered Public****Accounting Firm**

Ernst & Young LLP

Chicago, IL

**Privacy Principles of Managed Duration Investment Grade Municipal Fund for Shareholders**

The privacy of your personal financial information is extremely important to us. When you open an account with us, we collect a significant amount of information from you in order to properly invest and administer your account. We take very seriously the obligation to keep that information private and confidential, and we want you to know how we protect that important information.

We collect nonpublic personal information about you from applications or other forms you complete and from your transactions with us and our affiliates. We do not disclose information about you, or our former clients, to our affiliates or to service providers or third parties, except as permitted by law. We share only the minimum information required to properly administer your accounts, which enables us to send transaction confirmations, monthly or quarterly statements, financial and tax forms. Even within Cutwater and its affiliated entities, only a limited number of people who actually service accounts will ever have access to your personal financial information. Further, we do not share information about our current or former clients with any outside marketing groups or sales entities.

To ensure the highest degree of security and confidentiality, Cutwater and its affiliates maintain various physical, electronic and procedural safeguards to protect your personal information. We also apply special measures for authentication of information you request or submit to us on our website – [www.Cutwater.com](http://www.Cutwater.com).

**Questions concerning your shares of Managed Duration Investment Grade Municipal Fund:**

- If your shares are held in a Brokerage Account, contact your Broker.
- If you have physical possession of your shares in certificate form, contact the Fund's Transfer Agent: *Computershare Trust Company N.A., P.O. Box 30170, College Station, TX 77842-3170; (866) 488-3559 or online at [www.computershare.com/investor](http://www.computershare.com/investor)*

This report is sent to shareholders of Managed Duration Investment Grade Municipal Fund for their information. It is not a Prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

The Fund has adopted the Adviser's proxy voting policies and procedures to govern the voting of proxies relating to the voting securities of the Fund. A description of the Adviser's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Fund at (866) 819-5301.

Information regarding how the Fund voted proxies for portfolio securities, if applicable, during the most recent 12-month period ended June 30, is also available, without charge and upon request by calling (866) 819-5301 or by accessing the Fund's Form N-PX on the US Securities and Exchange Commission's ("SEC") website at [www.sec.gov](http://www.sec.gov).

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available on the SEC website at [www.sec.gov](http://www.sec.gov) or by visiting the Fund's website at [guggenheiminvestments.com/mzf](http://guggenheiminvestments.com/mzf). The Fund's Form N-Q may also be viewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330 or at [www.sec.gov](http://www.sec.gov).

**Notice to Shareholders**

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund from time to time may purchase shares of its common and preferred stock in the open market or in private transactions.

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## ABOUT THE FUND MANAGER

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### **Cutwater Investor Services Corp.**

Cutwater Investor Services Corp. (“Cutwater”), the Fund’s Investment Adviser, is based in New York, NY and was created in 1991 to provide fixed-income investment products and services to institutional and retail clients. The firm specializes in the management of fixed-income securities and provides expertise in investment-grade municipal bond investing. Cutwater is an indirect wholly-owned subsidiary of BNY Mellon. Additional information can be found at [insightinvestments.com](http://insightinvestments.com).

### **Investment Philosophy**

Cutwater’s philosophy is anchored in the conviction that a high quality municipal portfolio diversified among maturities will provide favorable risk-adjusted performance over time and through a variety of market cycles. Cutwater believes that security selection is enhanced by its large and dedicated staff of credit analysts. Each analyst has a thorough understanding of the broad market, but focuses research on a particular segment of the larger market.

### **Investment Process**

Investment strategy, including credit quality, yield curve positioning and duration targets, is set for portfolios at regular strategy meetings with the firm’s chief investment officer, portfolio managers and sector specialists. Credit quality decisions are based on credit bands established for each of the portfolios and the current relative value of securities within each of the credit bands. Duration target decisions are based on duration bands which direct the overall risk profile of portfolios relative to their benchmarks and the consensus outlook on the term structure of interest rates. Duration management is extended to each of the individual market sectors. Using the guidelines established in the strategy meetings, the municipal portfolio managers work closely with research analysts. Cutwater’s rigorous bottom-up process is rooted in fundamental credit analysis and Cutwater’s proprietary research.

**Cutwater Investor Services Corp.**  
200 Park Avenue  
New York, NY 10166  
(09/16)

**Guggenheim Funds Distributors, LLC**  
227 West Monroe Street  
Chicago, IL 60606  
Member FINRA/SIPC  
(09/16)

NOT FDIC-INSURED | NOT BANK-GUARANTEED | MAY LOSE VALUE

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