

Claymore Dividend & Income Fund Portfolio Manager Commentary

NYSE: DCS

Q2 2010

The second quarter of 2010 marked the first decline for the broad equity markets after four consecutive quarters of positive performance. The increased volatility observed during the previous quarter generally persisted as daily market movements exceeded 2% on several occasions. While the global economic recovery appears to be generally progressing, several economic data releases appeared to indicate a somewhat slower than expected pace of expansion. Additionally, risk aversion among investors increased amidst ongoing sovereign debt concerns in Europe and tighter lending standards in China. In the United States, while the manufacturing sector continues to show signs of improvement, employment remains a concern for many investors as jobless claims have stagnated in the near term. However, despite the recent market volatility, most economists see continued, although slower than expected, economic growth around the globe, as monetary policy in much of the developed world remains accommodative even as governments seek to reduce spending and budget deficits.

The U.S. equity markets posted broad based declines during the quarter as correlations between individual stock prices generally increased. The Materials sector, generally considered to be highly leveraged to the global economy, suffered the largest declines, while Utilities and Telecommunication Services stocks outperformed on a relative basis. The S&P 500 Index¹ declined -11.4%, while the NASDAQ Composite² and Dow Jones Industrial Average³ posted losses of -12.0% and -9.4%, respectively. In general, small cap stocks outperformed their large cap counterparts, with the Russell 2000 Index⁴ down -9.9% compared with an -11.4% loss by the Russell 1000 Index⁵. Domestic value stocks performed generally in line with domestic growth stocks as the Russell 1000 Value Index⁶ declined -11.2% compared to an -11.8% loss for the Russell 1000 Growth Index⁷.

The fixed income markets were generally positive for the quarter with the Barclays Capital U.S. Aggregate Bond Index⁸ up 3.5%. Treasury yields declined at most maturities along the yield curve, as demand for Treasuries remained strong amidst generally elevated risk aversion and the evolving debt issues in Europe. As such, longer maturity Treasuries meaningfully outperformed their shorter maturity counterparts as the BofA Merrill Lynch U.S. Treasuries 15+ Year Index⁹ returned 13.5% for the quarter compared to a 1.2% return for the BofA Merrill Lynch U.S. Treasuries 1-3 Year Index¹⁰. While investment grade

corporate bonds were generally positive for the quarter, high yield corporate bonds posted modest losses as credit spreads for lower quality bonds rose and new issuance generally declined. Specifically, the BofA Merrill Lynch U.S. Corporate AA Index¹¹ returned 3.1% for the quarter compared to a loss of -1.4% for the BofA Merrill Lynch U.S. High Yield CCC- Index¹². Furthermore, the recent market turmoil and economic data releases in the United States have generally pushed investor expectations of Federal Reserve rate increases farther out on the horizon.

The broad international markets generally underperformed their developed counterparts as sovereign debt burdens and economic concerns in southern Europe were perceived as potential headwinds to continued economic expansion throughout the region. The Greek stock market suffered especially notable declines with the Morgan Stanley Capital International ("MSCI") Greece Index¹³ losing -40.5% for the quarter compared to a loss of -14.0% for the broad MSCI EAFE Index¹⁴. The continued depreciation of the Euro versus the U.S. dollar further depressed international equity returns for U.S. investors. Similar to their domestic counterparts, international small cap stocks outperformed international large cap stocks, with the MSCI EAFE Small Cap Index¹⁵ down -11.3% for the quarter. However, international value stocks generally underperformed international growth stocks with the MSCI EAFE Value Index¹⁶ down -15.5% for the quarter compared with a -12.4% loss for the MSCI EAFE Growth Index¹⁷. Emerging market stocks generally outperformed their developed counterparts as the MSCI China Index¹⁸ only declined -4.6% despite government led efforts to reign in the pace of economic growth.

As we move into the third quarter, governments around the globe are discussing fiscal austerity measures and spending cuts, although global interest rates are generally expected to remain low. While European sovereign debt concerns may present headwinds to future economic growth, the magnitude of their effect on the global economy remains uncertain. That said, given the uncertainty of the current economic environment, increased market volatility may persist in the near term. However, despite the recent market turmoil, attractive investment opportunities remain from a bottom-up perspective and the market downturn has led to improving valuations in certain parts of the equity markets.

¹Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index is unmanaged and it is not possible to invest directly in an index.

²The Nasdaq Composite is a stock market index of all of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market.

³The Dow Jones Industrial Average is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market.

⁴The Russell 2000 Index is an unmanaged index that consists of 2000 U.S. small-capitalization stocks. The Index returns are based on a market capitalization-weighted average of relative price changes of the component stocks plus dividends whose reinvestments are compounded daily. The Index returns do not reflect any fees or expenses. Index returns provided by Bloomberg.

⁵The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000[®] Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership.

⁶The Russell 1000 Value Index measures performance of companies with lower price-to-book ratios and lower forecasted growth values than the overall market.

⁷The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

⁸The Barclays Capital U.S. Aggregate Bond Index is an unmanaged index that represents the U.S. domestic investment-grade bond market. It is a market value weighted index of investment grade debt issues, including government, corporate asset-backed and mortgage-backed securities, with maturities of one year or more. Index returns provided by Bloomberg.

⁹The BofA Merrill Lynch 15 Year US Treasury Index is an unmanaged index comprised of U.S. Treasury securities, other than inflation-protection securities and STRIPS, with at least \$1 billion in outstanding face value and a remaining term to final maturity of 15 years.

¹⁰The BofA Merrill Lynch 1-3 Year US Treasury Indexsm is an unmanaged index comprised of U.S. Treasury securities, other than inflation-protection securities and STRIPS, with at least \$1 billion in outstanding face value and a remaining term to final maturity of at least one year and less than three years.

¹¹The BofA Merrill Lynch US Corporate AA Index is a commonly used benchmark index for US corporate bonds rated AA.

¹²The BofA Merrill Lynch US High Yield CCC Index is a commonly used benchmark index for high yield corporate bonds.

¹³The MSCI Emerging Markets Index is a float-adjusted market capitalization index designed to measure equity market performance in global emerging markets.

¹⁴The MSCI EAFE Index is comprised of 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australia, and the Far East.

¹⁵The MSCI EAFE Small Cap Index represents the small-cap size segment of the MSCI EAFE Index

¹⁶The MSCI EAFE Value Index generally represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE Index and consists of those securities classified by MSCI as most representing the value style.

¹⁷The MSCI EAFE Growth Index generally represents approximately 50% of the free float-adjusted market capitalization of the MSCI EAFE Index and consists of those securities classified by MSCI as most representing the growth style.

¹⁸The MSCI China Index is constructed according to the MSCI Global Investable Market Index (GIMI) family. The MSCI China Index is part of the MSCI Emerging Markets Index.

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

The forecasts and opinions are those of Manning & Napier Advisors, Inc. as of June 30, 2010 and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes. Such forward-looking statements are subject to significant business, economic and competitive uncertainties and actual results could be materially different. There are no guarantees associated with any forecast.

There can be no assurance that any closed-end fund will achieve its investment objective(s). The value of any closed-end fund will fluctuate with the value of the underlying securities. Historically closed-end funds often trade at a discount to their net asset value.

An investment in a Fund is subject to certain risks and other considerations. Such risks and considerations include, but are not limited to: Not a Complete Investment Program Risk, Equity Risk, Preferred Securities Risk, Income Risk, "Value Investing" Risk, Interest Rate Risk, Inflation Risk, Lower Grade Securities Risk, Foreign Securities Risk, Derivatives Risk, Illiquid Securities Risk, Fund Distribution Risk, Market Discount Risk, Industry Concentration Risk, Other Investment Companies, Non-Diversified Status, Financial Leverage, Management Risk, Current Developments, Anti-takeover Provisions and Risks of Investing in AMPS.

Equity Risk: Equity risk is the risk that securities held by the Fund will fall due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, and the particular circumstances and performance of particular companies whose securities the Fund holds. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common equity securities in which the Fund will invest are structurally subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Lower Grade Securities Risk: The Fund may invest up to 10% of its total assets in nonconvertible fixed income securities of below investment grade quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of higher-grade securities. Securities of below investment grade quality are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default and are

commonly referred to as "junk bonds".

Foreign Securities Risk: The Fund may invest in U.S. dollar-denominated securities of foreign issuers, including, but not limited to American Depositary Receipts ("ADRs"). The prices of such U.S. dollar-denominated securities of foreign issuers may be affected by factors not present with securities traded in the U.S. markets, including, political and economic conditions, less stringent regulation and higher volatility. As a result, such securities may be less liquid and more volatile than U.S. securities.

Derivatives Risk: The Fund may participate in certain derivative transactions, such as futures contracts, options or swap transactions. Such transactions entail certain execution, market, liquidity, hedging and tax risks. Participation in these markets involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Manager's prediction of movements in the direction of the securities and interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies.

Illiquid Securities Risk: The Fund may invest in securities for which there is no readily available trading market or that are otherwise illiquid. It may be difficult to sell such securities at a price representing the fair value and, where registration of such securities is required, a considerable period may elapse between a decision to sell the securities and the time when the Fund would be permitted to sell.

Fund Distribution Risk: Pursuant to its distribution policy, the Fund intends to make regular quarterly distributions on its Common Shares. In order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent investment judgment may not dictate such action. In addition, the Fund's ability to make distributions more frequently than annually from any net realized capital gains by the Fund is subject to the Fund obtaining exemptive relief from the Securities and Exchange Commission, which cannot be assured. To the extent the total quarterly distributions for a year exceed the Fund's net investment company income and net realized capital gain for that year, the excess will generally constitute a return of the Fund's capital to its Common Shareholders. Such return of capital distributions generally are tax-free up to the amount of a Common Shareholder's tax basis in the Common Shares (generally, the amount paid for the Common Shares). In addition, such excess distributions will decrease the Fund's total assets and may increase the Fund's expense ratio.

Leverage Risk: Certain risks are associated with the leveraging of common stock. Both the net asset value and the market value of shares of common stock may be subject to higher volatility and a decline in value. The AMPS market continues to remain illiquid as auctions for nearly all AMPS continue to fail. A failed auction is not a default, nor does it require the redemption of a fund's auction-rate preferred shares. Provisions in the Fund's offering documents provide a mechanism to set a maximum rate in the event of a failed auction, and, thus, investors will continue to be entitled to receive payment for holding these AMPS.

Consider the investment objectives, risks, charges and ongoing expenses of any CEF carefully before investing. The prospectus contains this and other information about the CEF. Please read the prospectus carefully before investing. To obtain a prospectus, visit www.guggenheimfunds.com or contact a securities representative or Guggenheim Funds Distributors, Inc. 2455 Corporate West Drive, Lisle, IL 60532, 800-345-7999.