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MBIA Capital/Claymore Managed Duration Investment Grade Municipal Fund Portfolio Manager Commentary

Q1 2010

 CLOSED-END FUNDS

NYSE: MZF

United States Gross Domestic Product ("GDP") grew at a 5.6% annualized rate in the 4th quarter of 2009, according to the Bureau of Economic Analysis. This follows 2.2% growth in the third quarter of 2009. Despite two successive quarters of growth, however, the U.S. economy contracted by 2.4% in 2009. The unemployment rate stood at 9.7% at the end of March, which is an improvement from the more than 10% rate at the end of the year. As the economy recovers, the official unemployment rate might actually increase again in the coming months as more people who were previously discouraged from seeking work reenter the labor market. Analysts do not expect marked improvement in the employment figures for some time to come. The Federal Open Market Committee ("FOMC") met in the middle of March and once again announced that the fed funds target rate will stay in the zero to 0.25% range. In a statement released after the meeting, the Committee noted that the recovery is underway, albeit at a slow pace, and that inflation remains subdued.

As the broad economy continues down the path to recovery, the municipal bond market is also beginning to show signs that the worst may be behind it. The national unemployment rate edged below 10%, and non-farm payrolls finally posted positive job growth. States have asserted that the two-year slide in tax receipts has abated and may be coming to an end. Early estimates indicate that fourth quarter tax collections were up close to 1% versus the same quarter of the prior year. The largest gains came from property taxes which will help to plug revenue shortfalls. This comes as a surprise to many given the downturn in housing prices in recent years, but generally home assessments are conducted infrequently and are based on values from several years prior. Some states estimate we may see a general recovery in tax receipts in 2011 on the heels of increased property and sales tax receipts as the economy continues to emerge from recession. Stable tax receipts do help ease fiscal woes but combined state budget deficits approaching \$200 billion in 2011 signify that there is a long road ahead. Assuming the recovery holds its course, it is estimated that it will take until 2013 for tax receipts reach their 2008 peak. Losses in employee pension plans have given rise to a cumulative \$1 trillion unfunded pension obligation across the states. In order to deliver a balanced budget many states have been forced to slash spending not limited to reductions in aid to local governments and school districts. These headwinds come at a time when demand for tax exempt income is at its highest.

Insatiable demand gave the municipal bond market a positive tone during the first quarter. Primary market supply for the quarter finished just under \$100 billion, however tax-exempt supply was down 19.3% versus the same quarter one year prior. As expected, Build-America-Bonds ("BABs") diverted over one quarter of the primary issuance to the taxable markets, which kept tax-exempt to taxable ratios at historic lows. The long-end of the municipal bond market has been the primary beneficiary of BABs leading longer maturity bonds to outperform during the quarter. Yields inside of 20-years saw a modest increase (decrease in price) while yields on longer maturity bonds were relatively unchanged. BAB issuance has the potential to surge as the year progresses should there be a reduction in the government subsidy paid to issuers. Tax-exempt mutual fund inflows were positive during the quarter but slowed in March due to seasonal tax-related selling. The quarter ended with selling pressure inside of 10-years due to the extremely low ratio's of tax-exempt bonds to treasuries, which flattened the yield curve.

The Barclay's Municipal Bond Index¹ returned 1.25% in the first quarter, according to Barclay's Capital. The municipal yield curve (from 1-30 years) flattened slightly during the period from 387 ("bps") to 385 bps. The yield on 30-year AAA-GOs² increased by 2 bps during the period, while 10-yr yields increased by 9 bps. Tax-exempt bonds modestly outperformed US treasuries pushing the ratio of 30-year tax-exempt yields to 30-year treasury yields from 88.9% at the start of the quarter down to 88.3% at quarter-end.

Credit spreads tightened during the quarter and lower-rated credits outperformed high quality credits. Returns data show that investors favored long maturity securities over short maturities as BABs cut into the supply of long maturity tax-exempt bond offerings. According to Barclays Capital, single-A and BBB rated bonds outperformed the Barclay's Municipal Bond Index by 25

and 111 bps in the quarter, respectively. High-yield tax-exempt spreads also improved during the quarter evidenced by the Barclay's municipal non-investment grade index³ outperforming the investment grade index by 282 bps in the first quarter.

Two ratings agencies, Moody's and Fitch, announced that they will begin migrating the ratings of certain municipal bonds to a global ratings scale beginning in April of 2010. Although this change does not reflect an improving credit picture for municipalities, it does aid investors in gauging the risk profile of municipal bonds versus other asset classes. The new rating scales take into consideration the probability of default along with the recovery rate given default for municipal issuers. It is expected that most municipal bond sectors will be upgraded with general obligation bonds and essential service bonds being the largest beneficiaries.

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 MBIA Capital Management as of March 31, 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.

Municipal Bonds Risk: There are also specific risks associated with investing in municipal bonds, including but not limited to interest rate and credit risk. Interest rate risk is the risk that prices of Municipal Bonds generally increase when interest rates decline and decrease when interest rates increase. Prices of longer term securities generally change more in response to interest rate changes than prices of shorter term securities. Credit risk is the risk that the issuer will be unable to pay the interest or principal when due. The degree of credit risk depends on both the financial condition of the issuer and the terms of the obligation. The secondary market for municipal bonds is less liquid than many other securities markets, which may adversely affect the Fund's ability to sell its bonds at prices approximating those at which the Fund currently values them. The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest. In the event of bankruptcy of an issuer, the Fund could experience delays in collecting principal and interest

Additional 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.

¹The Barclay's 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, S&P, Fitch. The index is unmanaged and it is not possible to invest directly in an index.

²General Obligation Bond ("GO")- A municipal bond backed by the credit and "taxing power" of the issuers' jurisdiction rather than the revenue from a specific project.

³The Barclay's municipal non-investment grade 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 non-rated or be rated non-investment grade (Ba1 or below) by at least two of the following ratings agencies: Moody's, S&P, Fitch. The index is unmanaged and it is not possible to invest directly in an index.

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