SCHLUMBERGER LTD /NV/
Form 10-Q
April 22, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2015

Commission file No.: 1-4601

SCHLUMBERGER N.V.

(SCHLUMBERGER LIMITED)

(Exact name of registrant as specified in its charter)

CURAÇAO (State or other jurisdiction of incorporation or organization)	52-0684746 (I.R.S. Employer Identification No.)
42 RUE SAINT-DOMINIQUE PARIS, FRANCE	75007
5599 SAN FELIPE, 17th FLOOR HOUSTON, TEXAS, U.S.A.	77056
62 BUCKINGHAM GATE LONDON, UNITED KINGDOM	SW1E 6AJ
PARKSTRAAT 83 THE HAGUE, THE NETHERLANDS	2514 JG

(Addresses of principal executive offices) (Zip Codes)

Registrant's telephone number in the United States, including area code, is:

(713) 513-2000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 31, 2015
COMMON STOCK, $0.01 PAR VALUE PER SHARE	1,269,726,824

SCHLUMBERGER LIMITED

First Quarter 2015 Form 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

(Stated in millions, except per share amounts)

	Three Months Ended March 31, 2015	2014
Revenue	$10,248	$11,239
Interest & other income	49	76
Expenses		
Cost of revenue	8,096	8,745
Research & engineering	267	284
General & administrative	119	106
Restructuring & other	439	—
Interest	82	103
Income before taxes	1,294	2,077
Taxes on income	306	469
Net income	988	1,608
Net income attributable to noncontrolling interests	13	16
Net income attributable to Schlumberger	$975	$1,592
Basic earnings per share of Schlumberger	$0.76	$1.22
Diluted earnings per share of Schlumberger	$0.76	$1.21
Average shares outstanding:		
Basic	1,276	1,306
Assuming dilution	1,285	1,318

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Stated in millions)

	Three Months Ended March 31,	
	2015	2014
Net income	$988	$1,608
Currency translation adjustments		
Unrealized net change arising during the period	(113)	(88)
Marketable securities		
Unrealized (loss) gain arising during the period	(18)	11
Cash flow hedges		
Net (loss) gain on cash flow hedges	(152)	16
Reclassification to net income of net realized loss (gain)	118	(3)
Pension and other postretirement benefit plans		
Actuarial loss		
Amortization to net income of net actuarial loss	74	41
Prior service cost		
Amortization to net income of net prior service cost	27	32
Income taxes on pension and other postretirement benefit plans	(15)	(10)
Comprehensive income	909	1,607
Comprehensive income attributable to noncontrolling interests	13	16
Comprehensive income attributable to Schlumberger	$896	$1,591

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

	Mar. 31, 2015 (Unaudited)	Dec. 31, 2014
ASSETS		
Current Assets		
Cash	$ 2,121	$ 3,130
Short-term investments	4,682	4,371
Receivables less allowance for doubtful accounts (2015 - $292; 2014 - $275)	10,443	11,171
Inventories	4,666	4,628
Deferred taxes	156	144
Other current assets	1,326	1,250
	23,394	24,694
Fixed Income Investments, held to maturity	436	442
Investments in Affiliated Companies	3,272	3,235
Fixed Assets less accumulated depreciation	15,135	15,396
Multiclient Seismic Data	850	793
Goodwill	15,512	15,487
Intangible Assets	4,575	4,654
Other Assets	2,237	2,203
	$ 65,411	$ 66,904
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 8,469	$ 9,246
Estimated liability for taxes on income	1,631	1,647
Long-term debt - current portion	3,180	1,244
Short-term borrowings	648	1,521
Dividends payable	644	518
	14,572	14,176
Long-term Debt	8,898	10,565
Postretirement Benefits	1,419	1,501
Deferred Taxes	1,363	1,296
Other Liabilities	1,293	1,317
	27,545	28,855
Equity		
Common stock	12,535	12,495
Treasury stock	(12,263)	(11,772)
Retained earnings	41,669	41,333
Accumulated other comprehensive loss	(4,285)	(4,206)
Schlumberger stockholders' equity	37,656	37,850
Noncontrolling interests	210	199
	37,866	38,049
	$ 65,411	$ 66,904

See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in millions)

	Three Months Ended Mar. 31,	
	2015	2014
Cash flows from operating activities:		
Net income	$988	$1,608
Adjustments to reconcile net income to cash provided by operating activities:		
Restructuring and other charges	439	—
Depreciation and amortization (1)	1,042	1,001
Pension and other postretirement benefits expense	114	86
Stock-based compensation expense	80	77
Pension and other postretirement benefits funding	(120)	(72)
Earnings of equity method investments, less dividends received	(35)	(61)
Change in assets and liabilities: (2)		
Decrease (increase) in receivables	793	(202)
Increase in inventories	(52)	(137)
Increase in other current assets	(97)	(181)
Increase in other assets	(60)	(31)
Decrease in accounts payable and accrued liabilities	(1,348)	(592)
(Decrease) increase in estimated liability for taxes on income	(66)	242
Decrease in other liabilities	(57)	(20)
Other	149	119
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,770	1,837
Cash flows from investing activities:		
Capital expenditures	(606)	(864)
SPM investments	(109)	(202)
Multiclient seismic data capitalized	(101)	(82)
Business acquisitions and investments, net of cash acquired	(44)	(239)
(Purchase) sale of investments, net	(307)	1,576
Other	(70)	(17)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,237)	172
Cash flows from financing activities:		
Dividends paid	(512)	(410)
Proceeds from employee stock purchase plan	144	134
Proceeds from exercise of stock options	38	146
Stock repurchase program	(719)	(899)
Proceeds from issuance of long-term debt	1,572	1,110
Repayment of long-term debt	(1,144)	(1,574)
Net decrease in short-term borrowings	(902)	(222)
Other	(2)	7
NET CASH USED IN FINANCING ACTIVITIES	(1,525)	(1,708)
Net (decrease) increase in cash before translation effect	(992)	301
Translation effect on cash	(17)	(21)

Cash, beginning of period	3,130	3,472
Cash, end of period	$2,121	$3,752

(1) Includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.
(2) Net of the effect of business acquisitions.
See Notes to Consolidated Financial Statements

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SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(Unaudited)

(Stated in millions)

January 1, 2015 – March 31, 2015	Common Stock Issued	Common Stock In Treasury	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2015	$12,495	$(11,772)	$41,333	$(4,206)	$199	$38,049
Net income			975		13	988
Currency translation adjustments				(113)		(113)
Changes in unrealized gain on marketable securities				(18)		(18)
Changes in fair value of cash flow hedges				(34)		(34)
Pension and other postretirement benefit plans				86		86
Shares sold to optionees, less shares exchanged	(16)	54				38
Vesting of restricted stock	(39)	39				—
Shares issued under employee stock purchase plan	9	135				144
Stock repurchase program		(719)				(719)
Stock-based compensation expense	80					80
Dividends declared ($0.50 per share)			(639)			(639)
Other	6				(2)	4
Balance, March 31, 2015	$12,535	$(12,263)	$41,669	$(4,285)	$210	$37,866

(Stated in millions)

January 1, 2014 – March 31, 2014	Common Stock Issued	Common Stock In Treasury	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance, January 1, 2014	$12,192	$(8,135)	$37,966	$(2,554)	$166	$39,635
Net income			1,592		16	1,608
Currency translation adjustments				(88)		(88)
Changes in unrealized gain on marketable securities				11		11
Changes in fair value of cash flow hedges.				13		13
Pension and other postretirement benefit plans				63		63
Shares sold to optionees, less shares exchanged	(7)	153				146
Vesting of restricted stock	(30)	30				—
	6	128				134

Shares issued under employee stock purchase plan						
Stock repurchase program		(899)				(899)
Stock-based compensation expense	77					77
Dividends declared ($0.40 per share)			(522)			(522)
Other	8				(6)	2
Balance, March 31, 2014	$12,246	$(8,723)	$39,036	$(2,555)	$176	$40,180

SHARES OF COMMON STOCK

(Unaudited)

	(Stated in millions)		
		Shares	
	Issued	In Treasury	Outstanding
Balance, January 1, 2015	1,434	(159)	1,275
Shares sold to optionees, less shares exchanged	—	1	1
Vesting of restricted stock	—	1	1
Shares issued under employee stock purchase plan	—	2	2
Stock repurchase program	—	(9)	(9)
Balance, March 31, 2015	1,434	(164)	1,270

See Notes to Consolidated Financial Statements

SCHLUMBERGER LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements of Schlumberger Limited and its subsidiaries ("Schlumberger") have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Schlumberger management, all adjustments considered necessary for a fair statement have been included in the accompanying unaudited financial statements. All intercompany transactions and balances have been eliminated in consolidation. Operating results for the three-month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2015. The December 31, 2014 balance sheet information has been derived from the Schlumberger 2014 audited financial statements. For further information, refer to the Consolidated Financial Statements and notes thereto included in the Schlumberger Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on January 29, 2015.

New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. This ASU amends the existing accounting standards for revenue recognition and is based on the principle that revenue should be recognized to depict the transfer of goods or services to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. Schlumberger is required to adopt this ASU on January 1, 2017 and does not expect this ASU to have a material impact on its consolidated financial statements.

2. Charges and Credits

Schlumberger recorded the following charges and credits in continuing operations during the first quarter of 2015:

- As a result of the severe fall in activity in North America combined with the impact of lower international activity due to customer budget cuts driven by lower oil prices, Schlumberger decided to further reduce its headcount during the first quarter of 2015. Schlumberger recorded a $390 million charge during the first quarter associated with this headcount reduction as well as an incentivized leave of absence program.

- During 2014, Venezuela enacted certain changes to its foreign exchange system such that, in addition to the official rate of 6.3 Venezuelan Bolivares per US dollar, there were two other legal exchange rates that could be obtained via different exchange rate mechanisms. These changes included the expansion of the SICAD I auction rate and the introduction of what was known as the SICAD II auction process. The SICAD I and SICAD II exchange rates were approximately 11 and 50 Venezuelan Bolivares to the US dollar, respectively, at December 31, 2014.

Although the functional currency of Schlumberger's operations in Venezuela is the US dollar, a portion of the transactions are denominated in local currency. Prior to December 31, 2014, Schlumberger had historically applied the official exchange rate to remeasure local currency transactions and balances into US dollars.

Effective December 31, 2014, Schlumberger concluded that it was appropriate to apply the SICAD II exchange rate as it believed this rate best represented the economics of Schlumberger's business activity in Venezuela. As a result, Schlumberger recorded a $472 million devaluation charge during the fourth quarter of 2014.

In February 2015, the Venezuelan government replaced SICAD II with a new foreign exchange market system known as SIMADI. The SIMADI exchange rate was approximately 192 Venezuela Bolivares to the US dollar as of March 31, 2015. As a result, Schlumberger recorded a $49 million devaluation charge during the first quarter of 2015, reflecting the adoption of the SIMADI exchange rate.

These changes result in a reduction in the US dollar reported amount of local currency denominated revenues, expenses and, consequently, income before taxes and net income in Venezuela. For example, if Schlumberger had applied an exchange rate of 192 Venezuelan Bolivares to the US dollar throughout 2014, it would have reduced Schlumberger earnings by approximately $0.09 per share.

The following is a summary of these charges:

	(Stated in millions)			
	Pretax	Tax	Net	Classification
Workforce reduction	$390	56	$334	Restructuring & other
Currency devaluation loss in Venezuela	49	—	49	Restructuring & other
	$439	$56	$383	

There were no charges or credits recorded during the first quarter of 2014.

3. Earnings Per Share

The following is a reconciliation from basic earnings per share of Schlumberger to diluted earnings per share of Schlumberger:

	(Stated in millions, except per share amounts)					
	2015			2014		
	Schlumberger Net Income	Average Shares Outstanding	Earnings per Share	Schlumberger Net Income	Average Shares Outstanding	Earnings per Share
First Quarter						
Basic	$975	1,276	$ 0.76	$1,592	1,306	$ 1.22
Assumed exercise of stock options	—	5		—	8	
Unvested restricted stock	—	4		—	4	
Diluted	$975	1,285	$ 0.76	$1,592	1,318	$ 1.21

The number of outstanding options to purchase shares of Schlumberger common stock which were not included in the computation of diluted earnings per share, because to do so would have had an antidilutive effect, was as follows:

(Stated in millions)		
	2015	2014
First Quarter	16	1

4. Inventories

A summary of inventories follows:

(Stated in millions)

	Mar. 31, 2015	Dec. 31, 2014
Raw materials & field materials	$2,835	$2,666
Work in process	240	273
Finished goods	1,591	1,689
	$4,666	$4,628

5. Fixed Assets

A summary of fixed assets follows:

(Stated in millions)

	Mar. 31, 2015	Dec. 31, 2014
Property, plant & equipment	$37,174	$36,964
Less: Accumulated depreciation	22,039	21,568
	$15,135	$15,396

Depreciation expense relating to fixed assets was $827 million and $793 million in the first quarter of 2015 and 2014, respectively.

6. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data for the three months ended March 31, 2015 was as follows:

(Stated in millions)

Balance at December 31, 2014	$793
Capitalized in period	101
Charged to expense	(44)
Balance at March 31, 2015	$850

7. Goodwill

The changes in the carrying amount of goodwill by reporting unit for the three months ended March 31, 2015 were as follows:

	(Stated in millions)			
	Reservoir Characterization	Drilling	Production	Total
Balance at December 31, 2014	$3,812	$8,488	$3,187	$15,487
Acquisitions	—	31	20	51
Impact of changes in exchange rates	(11)	(7)	(8)	(26)
Balance at March 31, 2015	$3,801	$8,512	$3,199	$15,512

8. Intangible Assets

The gross book value, accumulated amortization and net book value of intangible assets were as follows:

(Stated in millions)			
Mar. 31, 2015		Dec. 31, 2014	
Gross	Accumulated	Gross	Accumulated

	Book Value	Amortization	Net Book Value	Book Value	Amortization	Net Book Value
Technology/Technical Know-How	$1,744	$ 568	$1,176	$1,747	$ 535	$1,212
Tradenames	1,640	335	1,305	1,641	319	1,322
Customer Relationships	2,530	555	1,975	2,531	523	2,008
Other	377	258	119	380	268	112
	$6,291	$ 1,716	$4,575	$6,299	$ 1,645	$4,654

Amortization expense charged to income was $88 million during the first quarter of 2015 and $86 million during the first quarter of 2014.

Based on the net book value of intangible assets at March 31, 2015, amortization charged to income for the subsequent five years is estimated to be: remaining three quarters of 2015—$270 million; 2016—$351 million; 2017—$342 million; 2018—$331 million; 2019—$323 million; and 2020—$302 million.

9. Long-term Debt

A summary of Long-term Debt follows:

(Stated in millions)

	Mar. 31, 2015	Dec. 31, 2014
3.30% Senior Notes due 2021	$1,597	$1,597
3.65% Senior Notes due 2023	1,496	1,495
1.95% Senior Notes due 2016	1,100	1,100
4.20% Senior Notes due 2021	1,100	1,100
1.25% Senior Notes due 2017	1,000	1,000
2.40% Senior Notes due 2022	999	999
1.50% Guaranteed Notes due 2019	561	628
2.65% Senior Notes due 2016	—	500
Commercial paper borrowings	444	1,538
Other	601	608
	$8,898	$10,565

The estimated fair value of Schlumberger's Long-term Debt at March 31, 2015 and December 31, 2014, based on quoted market prices, was $9.2 billion and $10.7 billion, respectively.

Borrowings under the commercial paper program at March 31, 2015 were $2.0 billion, of which $1.6 billion is classified within Long-term debt – current portion in the Consolidated Balance Sheet. At December 31, 2014, borrowings under the commercial paper program were $1.5 billion, all of which were classified within Long-term debt in the Consolidated Balance Sheet.

10. Derivative Instruments and Hedging Activities

Schlumberger is exposed to market risks related to fluctuations in foreign currency exchange rates and interest rates. To mitigate these risks, Schlumberger utilizes derivative instruments. Schlumberger does not enter into derivative transactions for speculative purposes.

Interest Rate Risk

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and occasionally interest rate swaps to mitigate the exposure to changes in interest rates.

During the fourth quarter of 2013, Schlumberger entered into a cross currency swap for a notional amount of €0.5 billion in order to hedge changes in the fair value of Schlumberger's €0.5 billion 1.50% Guaranteed Notes due 2019. Under the terms of this swap, Schlumberger will receive interest at a fixed rate of 1.50% on the euro notional amount and pay interest at a floating rate of three-month LIBOR plus approximately 64 basis points on the US dollar notional amount.

This cross currency swap is designated as a fair value hedge of the underlying debt. This derivative instrument is marked to market with gains and losses recognized in income to largely offset the respective gains and losses recognized on changes in the fair value of the hedged debt.

At March 31, 2015, Schlumberger had fixed rate debt aggregating $8.9 billion and variable rate debt aggregating $3.8 billion, after taking into account the effect of the swap.

Short-term investments and Fixed income investments, held to maturity, totaled $5.1 billion at March 31, 2015. The carrying value of these investments approximated fair value, which was estimated using quoted market prices for those or similar investments.

Foreign Currency Exchange Rate Risk

As a multinational company, Schlumberger conducts its business in approximately 85 countries. Schlumberger’s functional currency is primarily the US dollar. However, outside the United States, a significant portion of Schlumberger’s expenses is incurred in foreign currencies. Therefore, when the US dollar weakens (strengthens) in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar–reported expenses will increase (decrease).

Schlumberger is exposed to risks on future cash flows to the extent that the local currency is not the functional currency and expenses denominated in local currency are not equal to revenues denominated in local currency. Schlumberger is also exposed to risks on future cash flows relating to certain of its fixed rate debt which is denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the Consolidated Balance Sheet and in Accumulated Other Comprehensive Loss. Amounts recorded in Accumulated Other Comprehensive Loss are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of hedging instruments, if any, is recorded directly to earnings.

At March 31, 2015, Schlumberger recognized a cumulative net $130 million loss in Accumulated other comprehensive loss relating to revaluation of foreign currency forward contracts and foreign currency options designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next 12 months.

Schlumberger is exposed to changes in the fair value of assets and liabilities which are denominated in currencies other than the functional currency. While Schlumberger uses foreign currency forward contracts and foreign currency options to economically hedge this exposure as it relates to certain currencies, these contracts are not designated as hedges for accounting purposes. Instead the fair value of the contracts is recorded on the Consolidated Balance Sheet and changes in the fair value are recognized in the Consolidated Statement of Income as are changes in fair value of the hedged item.

At March 31, 2015, contracts were outstanding for the US dollar equivalent of $6.3 billion in various foreign currencies, of which $2.5 billion relate to hedges of debt denominated in currencies other than the functional currency.

The fair values of outstanding derivative instruments were as follows:

	(Stated in millions)		
	Fair Value of Derivatives		Consolidated Balance Sheet Classification
	Mar. 31, 2015	Dec. 31, 2014	
Derivative Assets			
Derivatives designated as hedges:			
Foreign exchange contracts	$ 3	$ 3	Other current assets
Foreign exchange contracts	34	32	Other Assets
	$ 37	$ 35	
Derivatives not designated as hedges:			
Foreign exchange contracts	$ 22	$ 5	Other current assets
	$ 59	$ 40	
Derivative Liabilities			
Derivatives designated as hedges:			
Foreign exchange contracts	$ 115	$ 80	Accounts payable and accrued liabilities
Foreign exchange contracts	138	105	Other Liabilities
Cross currency swap	60	42	Other Liabilities
	$ 313	$ 227	
Derivatives not designated as hedges:			

Foreign exchange contracts	$ 43	$ 28	Accounts payable and accrued liabilities
	$ 356	$ 255	

The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market or that can be derived from or corroborated by observable data.

The effect of derivative instruments designated as fair value hedges and those not designated as hedges on the Consolidated Statement of Income was as follows:

(Stated in millions)

	Gain (Loss) Recognized in Income First Quarter 2015	2014	Consolidated Statement of Income Classification
Derivatives designated as fair value hedges:			
Cross currency swap	$(70)	$(1)	Interest expense
Derivatives not designated as hedges:			
Foreign exchange contracts	$(118)	$13	Cost of revenue

11. Income Taxes

Income before taxes subject to US and non-US income taxes was as follows:

(Stated in millions)

	First Quarter 2015	2014
United States	$165	$524
Outside United States	1,129	1,553
	$1,294	$2,077

Schlumberger recorded pretax charges of $439 million during the three months ended March 31, 2015 ($93 million of charges in the US and $346 million of charges outside the US). See Note 2 – Charges and Credits.

The components of net deferred tax assets (liabilities) were as follows:

(Stated in millions)

	Mar. 31, 2015	Dec. 31, 2014
Postretirement benefits	$314	$327
Intangible assets	(1,484)	(1,435)
Investments in non-US subsidiaries	(225)	(227)
Other, net	188	183
	$(1,207)	$(1,152)

The above deferred tax balances at March 31, 2015 and December 31, 2014 were net of valuation allowances relating to net operating losses in certain countries of $172 million and $190 million, respectively.

The components of consolidated Taxes on income were as follows:

(Stated in millions)

	First Quarter	
	2015	2014
Current:		
United States-Federal	$75	$147
United States-State	5	7
Outside United States	248	336
	$328	$490
Deferred:		
United States-Federal	$(26)	$7
United States-State	—	(1)
Outside United States	4	(27)
	$(22)	$(21)
	$306	$469

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A reconciliation of the US statutory federal tax rate of 35% to the consolidated effective income tax rate follows:

	First Quarter 2015	First Quarter 2014
US federal statutory rate	35 %	35 %
Non-US income taxed at different rates	(12)	(11)
Charges and credits (See Note 2)	3	—
Other	(2)	(1)
	24 %	23 %

12. Contingencies

On March 25, 2015, Schlumberger resolved a previously disclosed investigation by the U.S. Department of Justice into past violations of US sanctions regarding its historical operations in Iran and Sudan that occurred between 2004 and 2010. A non-US subsidiary of Schlumberger has agreed to plead guilty to one criminal count of conspiracy to violate the International Emergency Economic Powers Act. Under the terms of the plea agreement, Schlumberger will pay a total amount of approximately $233 million in fines, penalties and assessments. This amount, which has been previously accrued for, is expected to be paid during the second quarter of 2015 and will be reflected within Cash flow used in discontinued operations – operating activities in Schlumberger's Consolidated Statement of Cash Flows when paid. All terms of the plea agreement are subject to judicial approval.

Schlumberger and its subsidiaries are party to various other legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to these other legal proceedings is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

13. Segment Information

(Stated in millions)

	First Quarter 2015		First Quarter 2014	
	Revenue	Income before taxes	Revenue	Income before taxes
Reservoir Characterization	$2,550	$655	$2,979	$792
Drilling	3,963	790	4,331	881

Production	3,769	549	3,989	724
Eliminations & other	(34)	(1)	(60)	(29)
Pretax operating income		1,993		2,368
Corporate & other [1]		(192)		(201)
Interest income [2]		8		7
Interest expense [3]		(76)		(97)
Charges and credits [4]		(439)		—
	$10,248	$1,294	$11,239	$2,077

[1] Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items.

[2] Interest income excludes amounts which are included in the segments' income ($5 million in 2015; $5 million in 2014).

[3] Interest expense excludes amounts which are included in the segments' income ($6 million in 2015; $6 million in 2014).

[4] Charges and credits recorded during the first quarter of 2015 are described in detail in Note 2 to the Consolidated Financial Statements.

14. Pension and Other Postretirement Benefit Plans

Net pension cost for the Schlumberger pension plans included the following components:

(Stated in millions)

	First Quarter			
	2015		2014	
	US	Int'l	US	Int'l
Service cost — benefits earned during period	$22	$49	$19	$31
Interest cost on projected benefit obligation	41	74	41	72
Expected return on plan assets	(56)	(128)	(52)	(113)
Amortization of prior service cost	5	30	3	30
Amortization of net loss	31	38	20	20
	$43	$63	$31	$40

The net periodic benefit cost for the Schlumberger US postretirement medical plan included the following components:

(Stated in millions)

	First Quarter	
	2015	2014
Service cost — benefits earned during period	$11	$11
Interest cost on accumulated postretirement benefit obligation	13	15
Expected return on plan assets	(13)	(11)
Amortization of prior service credit	(8)	(1)
Amortization of net loss	5	1
	$8	$15

15. Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss consists of the following:

(Stated in millions)

	Currency Translation Adjustments	Cash Flow Hedges	Pension and Other Postretirement Benefit Plans	Unrealized Gain/(Loss) on Marketable Securities	Total
Balance, January 1, 2015	$(1,531)	$(96)	$(2,589)	$10	$(4,206)

Other comprehensive loss before reclassifications	(113)	(152)	—	(18)	(283)
Amounts reclassified from accumulated other comprehensive loss	—	118	101	—	219
Income taxes	—	—	(15)	—	(15)
Net other comprehensive income (loss)	(113)	(34)	86	(18)	(79)
Balance, March 31, 2015	$(1,644)	$(130)	$ (2,503)	$ (8)	$(4,285)

15

(Stated in millions)

	Currency Translation Adjustments	Cash Flow Hedges	Pension and Other Postretirement Benefit Plans	Unrealized Gain on Marketable Securities	Total
Balance, January 1, 2014	$(1,068)	$ 29	$ (1,691)	$ 176	$(2,554)
Other comprehensive income (loss) before reclassifications	(88)	16	—	11	(61)
Amounts reclassified from accumulated other comprehensive loss	—	(3)	73	—	70
Income taxes	—	—	(10)	—	(10)
Net other comprehensive income (loss)	(88)	13	63	11	(1)
Balance, March 31, 2014	$(1,156)	$ 42	$ (1,628)	$ 187	$(2,555)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

First Quarter 2015 Compared to Fourth Quarter 2014

Product Groups

(Stated in millions)

	First Quarter 2015		Fourth Quarter 2014	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	$2,550	$655	$3,231	$974
Drilling	3,963	790	4,658	966
Production	3,769	549	4,816	889
Eliminations & other	(34)	(1)	(64)	(48)
Pretax operating income		1,993		2,781
Corporate & other (1)		(192)		(221)
Interest income (2)		8		8
Interest expense (3)		(76)		(80)
Charges and credits (4)		(439)		(1,773)
	$10,248	$1,294	$12,641	$715

Geographic Areas

	(Stated in millions)			
	First Quarter 2015		Fourth Quarter 2014	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
North America	$3,222	$416	$4,324	$849
Latin America	1,648	354	2,053	429
Europe/CIS/Africa	2,538	532	3,063	683
Middle East & Asia	2,703	774	3,094	877
Eliminations & other	137	(83)	107	(57)
Pretax operating income		1,993		2,781
Corporate & other [(1)]		(192)		(221)
Interest income [(2)]		8		8
Interest expense [(3)]		(76)		(80)
Charges and credits [(4)]		(439)		(1,773)
	$10,248	$1,294	$12,641	$715

(1) Comprised principally of certain corporate expenses not allocated to the segments, stock-based compensation costs, amortization expense associated with certain intangible assets, certain centrally managed initiatives and other nonoperating items.

(2) Interest income excludes amounts which are included in the segments' income ($5 million in the first quarter 2015; $5 million in the fourth quarter in 2014).

(3) Interest expense excludes amounts which are included in the segments' income ($6 million in the first quarter 2015; $7 million in the fourth quarter 2014).

(4) Charges and credits recorded during the first quarter of 2015 are described in detail in Note 2 to the Consolidated Financial Statements. Refer to Note 3 to the Consolidated Financial Statements included in the Schlumberger Annual Report on Form 10-K for the year ended December 31, 2014 for details regarding charges and credits during the fourth quarter of 2014.

First-quarter 2015 revenue of $10.2 billion was 19% lower sequentially while pretax operating income of $2.0 billion was lower by 28% sequentially. Pretax operating margin decreased 255 basis points (bps) to 19.4%.

North America first-quarter revenue of $3.2 billion decreased 25% sequentially. In the US and Western Canada, revenue fell on lower pressure pumping activity and increased pricing pressure, which was precipitated by the sharp drop in the land rig count and the early onset of the Canadian spring break-up. In the US Gulf of Mexico, activity was flat but revenue declined mainly due to lower multiclient sales.

North America pretax operating margin declined 670 bps sequentially to 12.9% on decreased pressure pumping activity and pricing weakness in North America land. North America offshore operating margin declined due to an unfavorable revenue mix resulting from a shift from exploration to development activity and reduced high-margin multiclient sales.

Revenue for the International Areas of $6.9 billion decreased 16% sequentially. Middle East & Asia Area revenue of $2.7 billion declined 13% sequentially due mainly to double-digit drops in China, Asia-Pacific and Australia. The Middle East GeoMarkets remained robust on new projects and higher activity, but revenue declined on reduced product and software sales following the year-end highs of the previous quarter. India GeoMarket revenue grew sequentially, while activity in Iraq continued to be muted. Europe/CIS/Africa Area revenue of $2.5 billion fell 17% sequentially due mainly to continued weakness in the Russian ruble and the seasonal activity decline in Russia. Revenue in the Latin America Area of $1.6 billion dropped 20% due to the exchange rate change in Venezuela and lower activity in Mexico, Brazil and Colombia due to customer budget cuts. These effects, however, were partially offset by slight but steady activity increases in Argentina, Venezuela, Trinidad and the Caribbean.

International Area pretax operating margin of 24.1% was essentially flat sequentially. Middle East & Asia pretax operating margin increased slightly by 30 bps to 28.6%, Latin America increased 59 bps to 21.5%, and Europe/CIS/Africa fell 133 bps to 21.0%. Despite the severity of the sequential revenue decline and an increasingly unfavorable revenue mix, the impact on margins was minimized by focused execution and prompt action on variable costs.

Reservoir Characterization Group

Sequentially, Reservoir Characterization Group revenue of $2.6 billion declined 21%, primarily due to the overall cut in discretionary and exploration spending and lower multiclient and Schlumberger Information Solutions (SIS) software sales following the year-end highs of the previous quarter. Wireline revenue decreased on lower exploration activity in the international markets and currency declines in Europe, Norway and Russia.

Pretax operating margin of 25.7% was 447 bps lower sequentially as a result of seasonally lower multiclient and SIS software sales and an unfavorable overall revenue mix reflecting the decline in high-margin exploration activity.

Drilling Group

Sequentially, Drilling Group revenue of $4.0 billion decreased 15% primarily due to the severe drop in rig count in North America and the unfavorable currency effects in Russia and Venezuela, as well as the seasonal activity declines in Russia that mainly affected Drilling & Measurements and M-I SWACO Technologies. More than 30% of the sequential decline was in North America land due to lower activity and pricing. Reduced Integrated Project Management (IPM) work in Australia, Mexico and Iraq also contributed to the decrease.

Pretax operating margin of 19.9% declined 80 bps sequentially. Despite the revenue decline, prompt action on cost management, and the benefit of our local cost structure which minimized the impact of the unfavorable currency effects on pretax operating income, helped limit the sequential pretax operating margin decline.

Production Group

Production Group revenue of $3.8 billion decreased 22% sequentially as a result of lower pressure pumping activity and increased pricing pressure precipitated by the severe drop in land rig count in North America. More than half of the sequential decrease was attributable to North America land. Lower Artificial Lift and Completions product sales and unfavorable currency effects also contributed to the sequential decrease.

Pretax operating margin of 14.6% declined 389 bps sequentially as lower activity and increasing pricing pressure took hold during the first quarter of 2015, particularly in the North America land market. Despite the severe revenue decline, prompt cost management actions, including alignment of resources with activity, limited the sequential pretax operating margin decline.

First Quarter 2015 Compared to First Quarter 2014

Product Groups

	(Stated in millions)			
	First Quarter 2015		First Quarter 2014	
	Revenue	Income Before Taxes	Revenue	Income Before Taxes
Reservoir Characterization	$2,550	$655	$2,979	$792

Drilling	3,963	790	4,331	881
Production	3,769	549	3,989	724
Eliminations & other	(34)	(1)	(60)	(29)
Pretax operating income		1,993		2,368
Corporate & other (1)		(192)		(201)
Interest income (2)		8		7

Santa Monica, CA
Roman Friedrich III

Administrator and Accounting Agent
Robert B. Karn III
MUFG Investor Services (US), LLC

Rockville, MD
Ronald A. Nyberg

Custodian
Maynard F. Oliverius
The Bank of New York Mellon Corp

New York, NY
Ronald E. Toupin, Jr.,
Chairperson
Legal Counsel

Skadden, Arps, Slate,
* Trustee is an “interested person” (as defined
Meagher & Flom LLP
in section 2(a)(19) of the 1940 Act)
New York, NY
(“Interested Trustee”) of the Trust because of
his position as the President and CEO of the
Independent Registered Public
Investment Adviser and Distributor.
Accounting Firm

Ernst & Young LLP
McLean, VA
Principal Executive Officers
Donald C. Cacciapaglia

President and Chief Executive Officer

Joanna M. Catalucci
Chief Compliance Officer

Amy J. Lee

Chief Legal Officer

Mark E. Mathiasen

Secretary

John L. Sullivan

Chief Financial Officer,

Chief Accounting Officer and Treasurer

FUND INFORMATION continued November 30, 2016

Privacy Principles of the Fund

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Fund's investment advisor and its affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

Questions concerning your shares of Guggenheim Credit Allocation 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.

This report is sent to shareholders of Guggenheim Credit Allocation 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.

A description of the Fund's proxy voting policies and procedures related to portfolio securities is available without charge, upon request, by calling the Fund at (800) 345-7999.

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 (800) 345-7999, by visiting the Fund's website at guggenheiminvestments.com/ggm or by accessing the Fund's Form N-PX on the U.S. Securities and Exchange Commission's (SEC) website at 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 or by visiting the Fund's website at guggenheiminvestments.com/ggm. 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.

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 stock in the open market.

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ABOUT THE FUND MANAGERS

Guggenheim Partners Investment Management, LLC

Guggenheim Partners Investment Management, LLC (“GPIM”) is an indirect subsidiary of Guggenheim Partners, LLC, a diversified financial services firm. The firm provides capital markets services, portfolio and risk management expertise, wealth management, and investment advisory services. Clients of Guggenheim Partners, LLC subsidiaries are an elite mix of individuals, family offices, endowments, foundations, insurance companies and other institutions.

Investment Philosophy

GPIM’s investment philosophy is predicated upon the belief that thorough research and independent thought are rewarded with performance that has the potential to outperform benchmark indexes with both lower volatility and lower correlation of returns over time as compared to such benchmark indexes.

Investment Process

GPIM’s investment process is a collaborative effort between various groups including the Portfolio Construction Group, which utilize proprietary portfolio construction and risk modeling tools to determine allocation of assets among a variety of sectors, and its Sector Specialists, who are responsible for security selection within these sectors and for implementing securities transactions, including the structuring of certain securities directly with the issuers or with investment banks and dealers involved in the origination of such securities.

Guggenheim Funds Distributors, LLC
227 West Monroe Street
Chicago, IL 60606
Member FINRA/SIPC
(01/17)

CEF-GGM-SAR-1116

Item 2. Code of Ethics.
Not applicable for a semi-annual reporting period.
Item 3. Audit Committee Financial Expert.
Not applicable for a semi-annual reporting period.
Item 4. Principal Accountant Fees and Services.
Not applicable for a semi-annual reporting period.
Item 5. Audit Committee of Listed Registrants.
Not applicable for a semi-annual reporting period.
Item 6. Schedule of Investments.
The Schedule of Investments is included as part of Item 1.
Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.
Not applicable for a semi-annual reporting period.
Item 8. Portfolio Managers of Closed-End Management Investment Companies.
(a) Not applicable for a semi-annual reporting period.
(b) As of January 30, 2017, Thomas Hauser and Richard de Wet have been added as Portfolio Managers of the registrant. Please see the information below as required by paragraphs (a)(1) - (a)(4) of this Item 8 as of November 30, 2016 for each of Thomas Hauser and Richard de Wet.
(a)(1) Guggenheim Partners Investment Management, LLC (“Guggenheim”) serves as the investment sub-adviser for the registrant and is responsible for the day-to-day management of the registrant’s portfolio. Guggenheim uses a team approach to manage client portfolios. Day to day management of a client portfolio is conducted under the auspices of Guggenheim’s Portfolio Construction Group (“PCG”). PCG’s members include the Chief Investment Officer (“CIO”) and other key investment personnel. The PCG, in consultation with the CIO, provides direction for overall investment strategy. The PCG performs several duties as it relates to client portfolios including: determining both tactical and strategic asset allocations; and monitoring portfolio adherence to asset allocation targets; providing sector specialists with direction for overall investment strategy, which may include portfolio design and the rebalancing of portfolios; performing risk management oversight; assisting sector managers and research staff in determining the relative valuation of market sectors; and providing a forum for the regular discussion of the economy and the financial markets to enhance the robustness of Guggenheim’s strategic and tactical policy directives.

Thomas Hauser and Richard de Wet share primary responsibility for the day-to-day management of the registrant's portfolio and their information is provided as of November 30, 2016:

Name	Since	Professional Experience During the Last Five Years
Thomas Hauser	2017	Guggenheim Partners Investment Management, LLC: Managing Director – 2012 – Present.
Richard de Wet	2017	Guggenheim Partners Investment Management, LLC: Vice President and Portfolio Manager – 2015 – Present; Guggenheim Partners Investment Management, LLC, Associate Portfolio Manager – 2013-2015; Pacific Investment Management Company, 2009 – 2013.

(a)(2)(i-iii) Other Accounts Managed by the Portfolio Managers

The following table summarizes information regarding each of the other accounts managed by Thomas Hauser and Richard de Wet as of November 30, 2016:

Thomas Hauser:

Type of Account	Number of Accounts	Total Assets in the Accounts	Number of Accounts In Which the Advisory Fee is Based on Performance	Total Assets in the Accounts In Which the Advisory Fee is Based on Performance
Registered investment companies	6	$3,103,133,561	2	$256,708,208
Other pooled investment vehicles	43	$13,248,625,162	21	$6,286,819,170
Other accounts	43	$9,463,834,286	3	$808,667,234

Richard de Wet:

Type of Account	Number of Accounts	Total Assets in the Accounts	Number of Accounts In Which the Advisory Fee is Based on Performance	Total Assets in the Accounts In Which the Advisory Fee is Based on Performance
Registered investment companies	1	117,522,758	0	$0

Other pooled investment vehicles	7	$1,917,701,933	0	$0
Other accounts	23	$5,401,390,622	1	$268,586,855

(a)(2)(iv) Potential Conflicts of Interest

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one fund or other account. More specifically, portfolio managers who manage multiple funds and/or other accounts may be presented with one or more of the following potential conflicts.

The management of multiple funds and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each fund and/or other account. Guggenheim seeks to manage such competing interests for the time and attention of a portfolio manager by having the portfolio manager focus on a particular investment discipline. Specifically, the ultimate decision maker for security selection for each client portfolio is the Sector Specialist Portfolio Manager. They are responsible for analyzing and selecting specific securities that they believe best reflect the risk and return level as provided in each client's investment guidelines.

Guggenheim may have clients with similar investment strategies. As a result, if an investment opportunity would be appropriate for more than one client, Guggenheim may be required to choose among those clients in allocating such opportunity, or to allocate less of such opportunity to a client than it would ideally allocate if it did not have to allocate to multiple clients. In addition, Guggenheim may determine that an investment opportunity is appropriate for a particular account, but not for another.

Allocation decisions are made in accordance with the investment objectives, guidelines, and restrictions governing the respective clients and in a manner that will not unfairly favor one client over another. Guggenheim's allocation policy provides that investment decisions must never be based upon account performance or fee structure. Accordingly, Guggenheim's allocation procedures are designed to ensure that investment opportunities are allocated equitably among different client accounts over time. The procedures also seek to ensure reasonable efficiency in client transactions and to provide portfolio managers with flexibility to use allocation methodologies appropriate to Guggenheim's investment disciplines and the specific goals and objectives of each client account.

In order to minimize execution costs and obtain best execution for clients, trades in the same security transacted on behalf of more than one client may be aggregated. In the event trades are aggregated, Guggenheim's policy and procedures provide as follows: (i) treat all participating client accounts fairly; (ii) continue to seek best execution; (iii) ensure that clients who participate in an aggregated order will participate at the average share price with all transaction costs shared on a pro-rata basis based on each client's participation in the transaction; (iv) disclose its aggregation policy to clients.

Guggenheim, as a fiduciary to its clients, considers numerous factors in arranging for the purchase and sale of clients' portfolio securities in order to achieve best execution for its clients. When selecting a broker, individuals making trades on behalf of Guggenheim clients consider the full range and quality of a broker's services, including execution capability, commission rate, price, financial stability and reliability. Guggenheim is not obliged to merely get the lowest price or commission but also must determine whether the transaction represents the best qualitative execution for the account.

In the event that multiple broker/dealers make a market in a particular security, Guggenheim's Portfolio Managers are responsible for selecting the broker-dealer to use with respect to executing the transaction. The broker-dealer will be selected on the basis of how the transaction can be executed to achieve the most favorable execution for the client under the circumstances. In many instances, there may only be one counter-party active in a particular security at a given time. In such situations the Employee executing the trade will use his/her best effort to obtain the best execution from the counter-party.

Guggenheim and the registrant have adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

(a)(3) Portfolio Manager Compensation

Guggenheim compensates portfolio management staff for their management of the registrant's portfolio. Compensation is evaluated based on their contribution to investment performance relative to pertinent benchmarks and qualitatively based on factors such as teamwork and client service efforts. Guggenheim's staff incentives may include: a competitive base salary, bonus determined by individual and firm wide performance, equity participation, and participation opportunities in various Guggenheim investments. All Guggenheim employees are also eligible to participate in a 401(k) plan to which Guggenheim may make a discretionary match after the completion of each plan year.

(a)(4) Portfolio Securities Ownership

The following table discloses the dollar range of equity securities of the registrant beneficially owned by Thomas Hauser and Richard de Wet as of November 30, 2016:

Name of Portfolio Manager	Dollar Amount of Equity Securities in Registrant
Thomas Hauser	$-0-
Richard de Wet	$-0-

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.
None.
Item 10. Submission of Matters to a Vote of Security Holders.
The registrant has not made any material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees.
Item 11. Controls and Procedures.
(a) The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act) as of a date within 90 days of this filing and have concluded based on such

evaluation, as required by Rule 30a-3(b) under the Investment Company Act, that the registrant's disclosure controls and procedures were effective, as of that date, in ensuring that information required to be disclosed by the registrant in this Form N-CSR was recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

(b) There were no changes in the registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the registrant’s second fiscal quarter of the period covered by this report that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Not applicable.

(a)(2) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(a) of the Investment Company Act.

(a)(3) Not applicable.

(b) Certifications of principal executive officer and principal financial officer pursuant to Rule 30a-2(b) under the Investment Company Act and Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Guggenheim Credit Allocation Fund

By: /s/ Donald C. Cacciapaglia
Name: Donald C. Cacciapaglia
Title: President and Chief Executive Officer
Date: February 6, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Donald C. Cacciapaglia
Name: Donald C. Cacciapaglia
Title: President and Chief Executive Officer
Date: February 6, 2017

By: /s/ John L. Sullivan
Name: John L. Sullivan
Title: Chief Financial Officer, Chief Accounting Officer and Treasurer
Date: February 6, 2017