GUGGENHEIM

Second Quarter 2017

Fixed-Income Outlook: Chart Highlights

A Time for Caution in Complacent Markets

Guggenheim Investments

Innovative Solutions. **Enduring Values.**®

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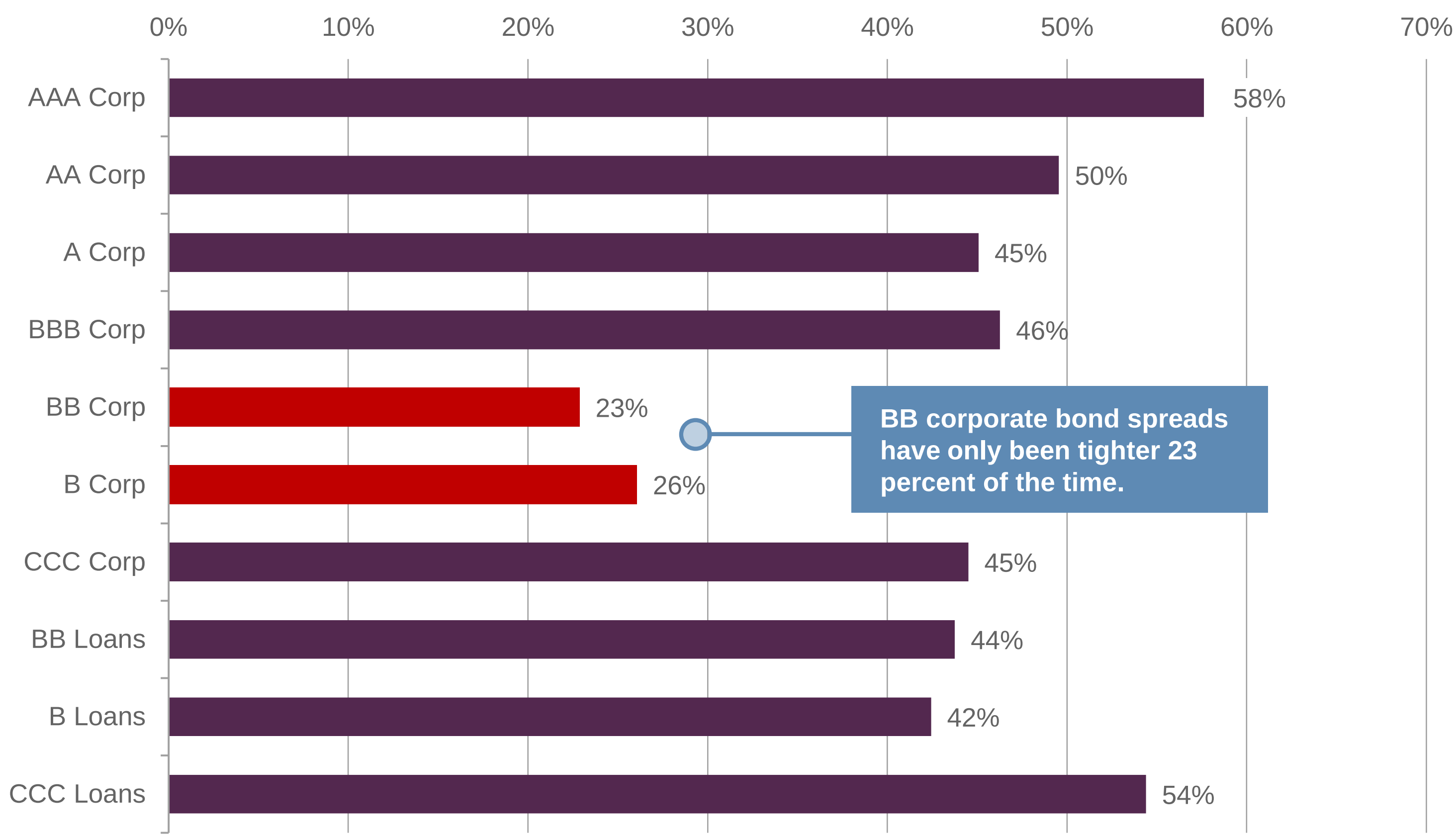
The Guggenheim Investments ("Guggenheim") quarterly Fixed-Income Outlook presents the relative-value conclusions of our 160+ member fixed-income investment team and illuminates the uniqueness of our investment process. This chart book presents selected highlights from the ***Second Quarter 2017 Fixed-Income Outlook***.

Historically Tight Spreads Point to High Probability of Near-Term Widening



- Our internal credit spread dashboard tracks how current spreads compare to the historical track record by sector and rating.
- Our dashboard shows that high-yield corporate bond spreads have been tighter only 34 percent of the time.
- In particular, BB-rated and B-rated bonds look tight, which means there is a greater probability of spreads widening from current levels.

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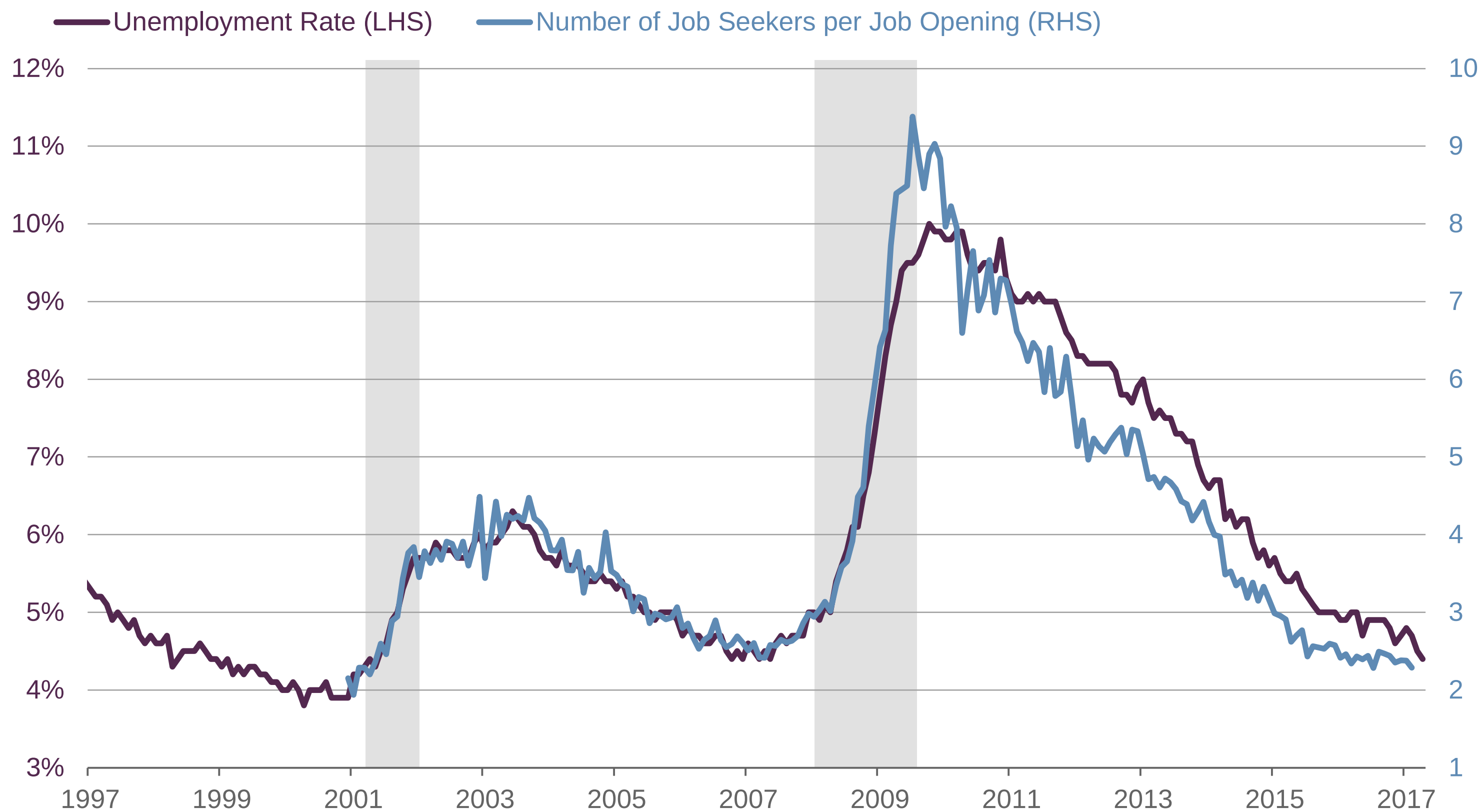
Source: Bloomberg, Guggenheim Investments. Data as of 3.31.2017.

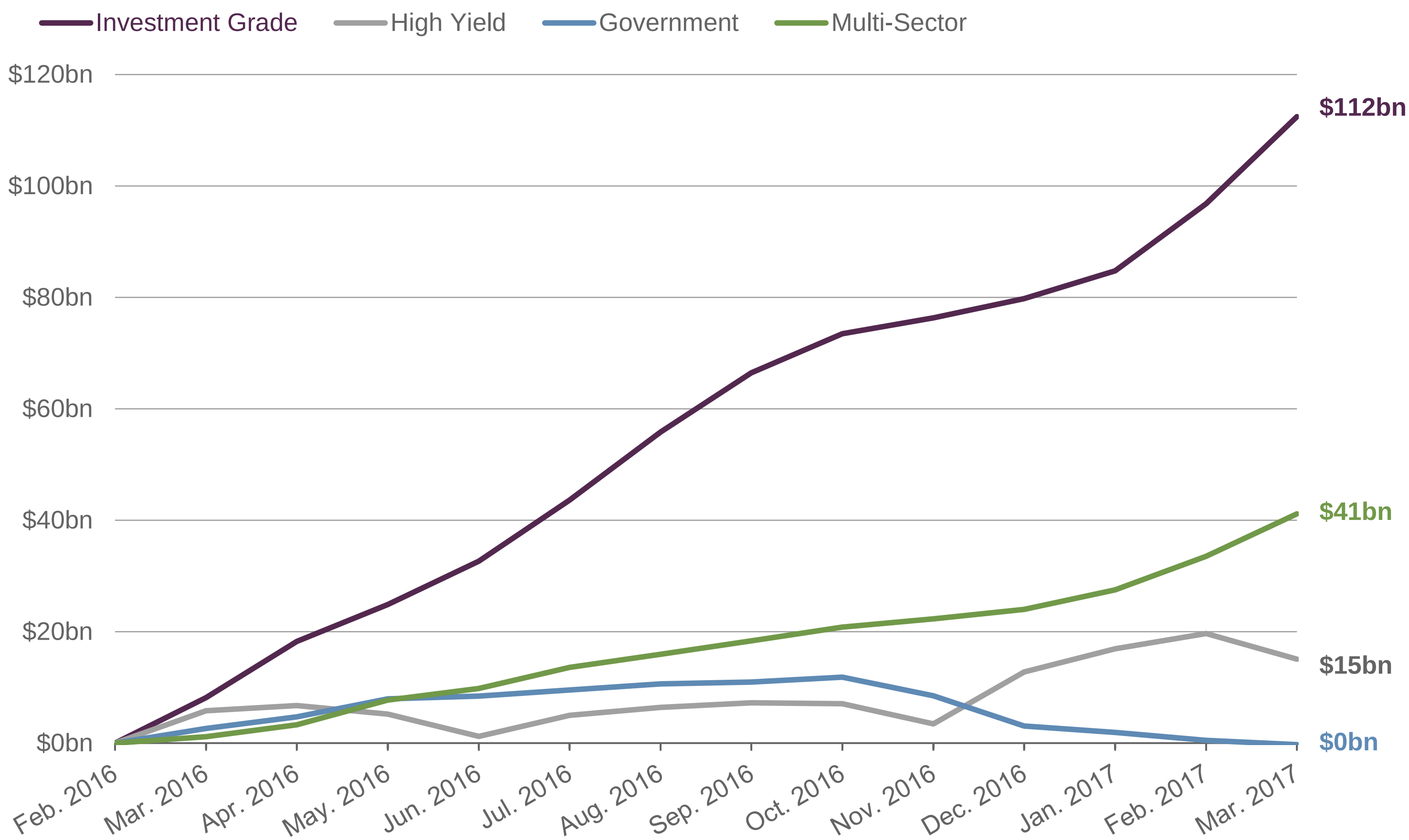
U.S. Labor Market Has Reached Full Employment



- Financial conditions have eased since the election, despite Fed rate hikes in December and March, and we continue to expect the economy to expand faster than its potential growth rate. This should push the unemployment rate further below its natural rate of 4.7 percent.
- The decline in the Job Openings and Labor Turnover Survey (JOLTS) data is another sign of strength in the jobs market.
- Our medium-term growth outlook has dimmed marginally as a result of the minimal progress seen to date on the Trump administration's fiscal policy initiatives. The ongoing struggle to create a healthcare bill has sapped early legislative momentum, and tax reform will be a politically fraught process.

Source: Bureau of Labor Statistics, Haver Analytics, Guggenheim Investments. Unemployment data as of 4.30.2017; job openings data as of 2.28.2017.

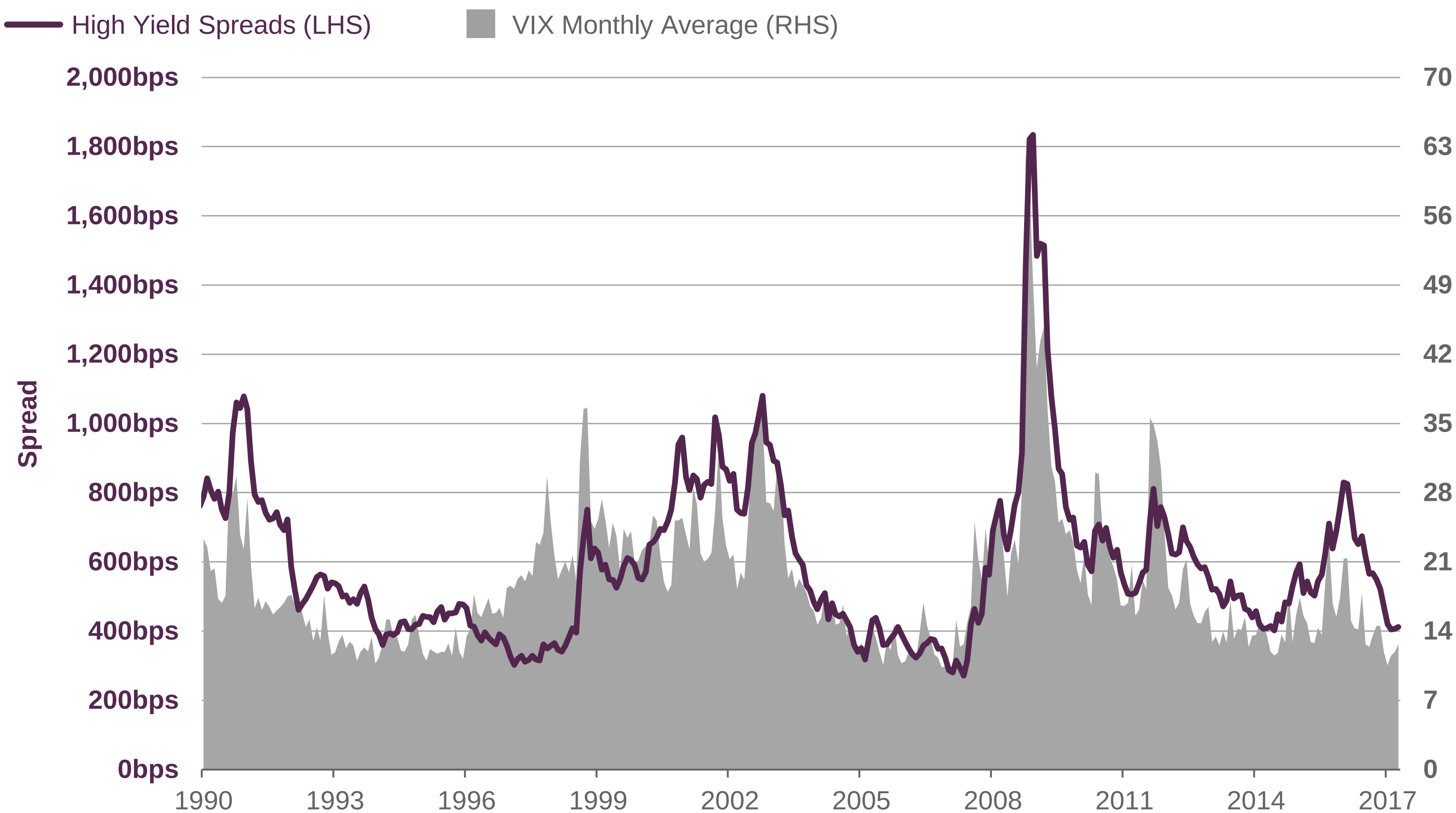
Investment-Grade Corporate Bond Funds Continue to Gather Assets



- Demand has not let up for mutual funds, which, according to Lipper, have seen 14 consecutive weeks of inflows, and buying programs from Asian investors continue to blanket the corporate bond curve from the front end to the long end.
- Even with strong new issuance—first quarter corporate bond supply of $372 billion was the largest quarterly gross issuance on record—spreads ground tighter during the first quarter.
- Foreign net bias favors investment-grade corporates, which threatens to drive spreads tighter despite healthy supply.

Source: Investment Company Institute, Guggenheim Investments. Data as of 3.29.2017. Data reflects cumulative net mutual fund flows since February 2016.

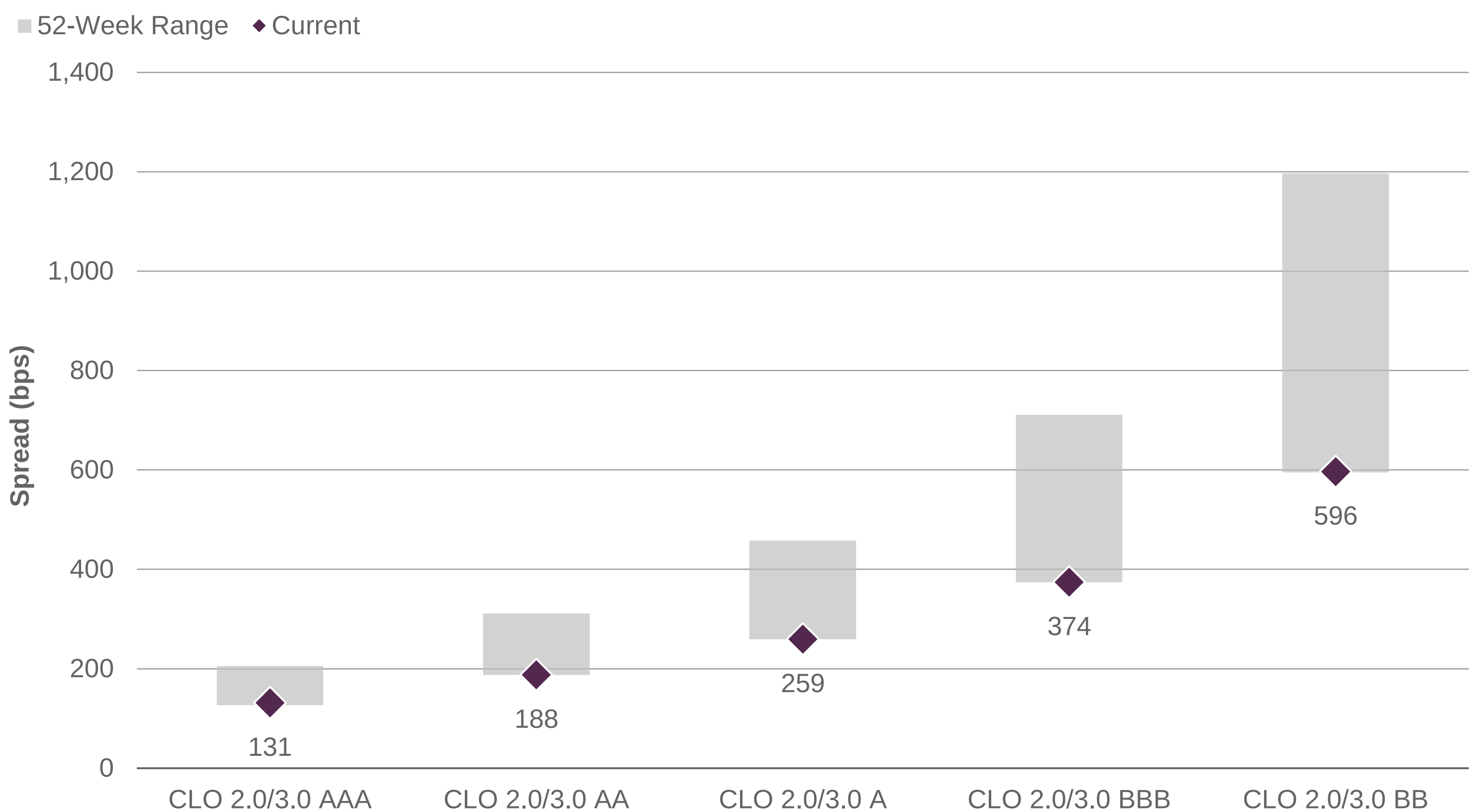
High-Yield Spreads Are Highly Correlated to Implied Equity Volatility



- We are keeping an eye on the Chicago Board Options Exchange Volatility Index (VIX index), which measures implied equity market volatility. The VIX index has persisted at what we believe to be unsustainably low levels.
- Should equity market volatility rise this summer, we would expect to see some spread widening in the high-yield sector as well. However, this should not be mistaken for a fundamental deterioration in the leveraged credit space. We continue to expect that defaults will decline through the end of the year.
- Tight spreads continue to reflect an optimistic outlook on corporate earnings and the promise of pro-growth fiscal policies. While earnings are improving as expected, fiscal policy uncertainty is rising.

Source: Credit Suisse, Bloomberg, Guggenheim Investments. Data as of 4.15.2017.

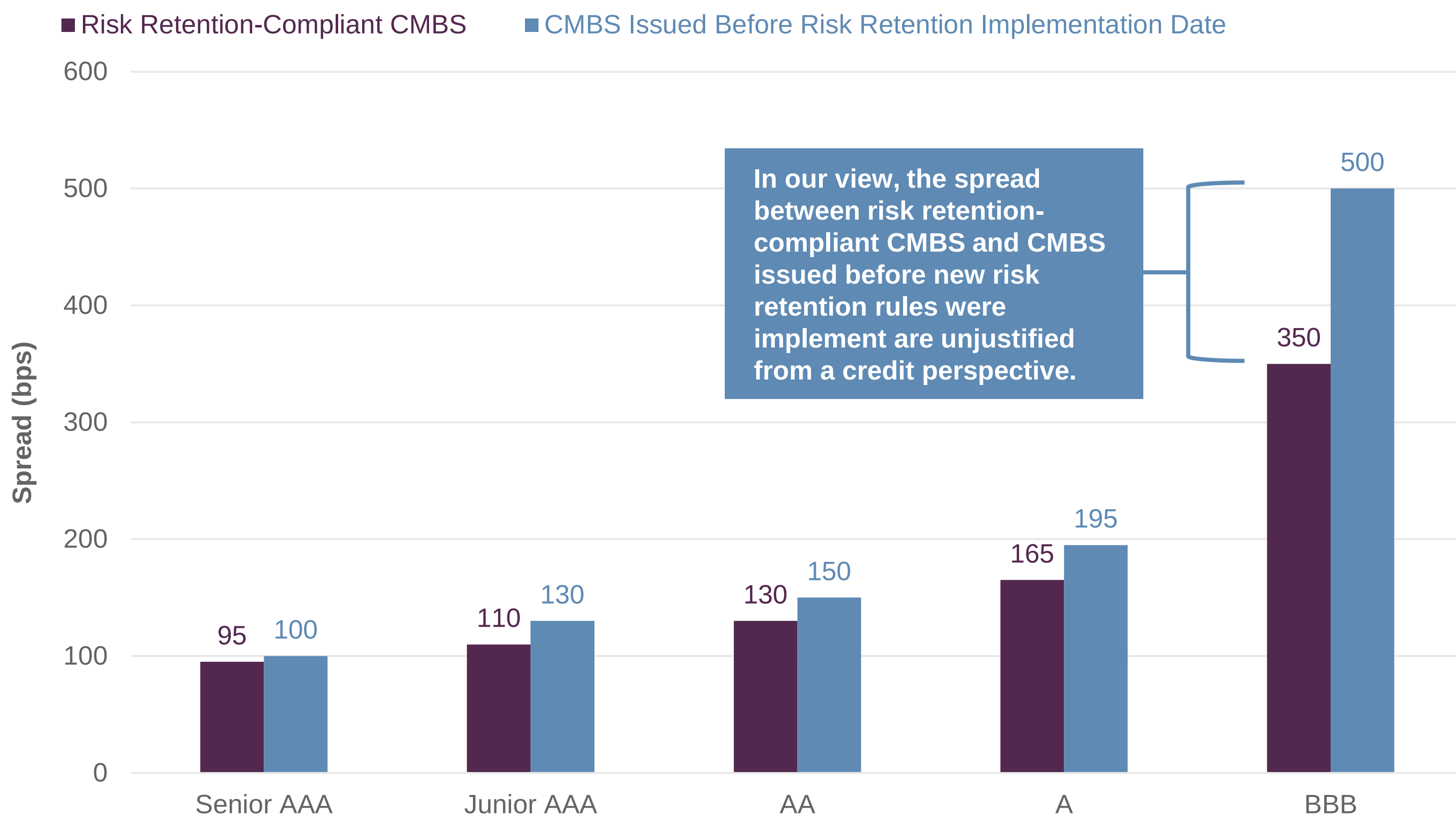
Post-Crisis CLO Spreads Are at the Tightest in Three Years



- Collateralized loan obligation (CLO) spreads for post-crisis issues (CLO 2.0/3.0) have come in across all tranches to new three-year tights and approaching the post-crisis tights set in early 2013.
- We continue to see room for tightening as CLO spreads remain wider than securities of comparable rating and maturity.
- Rising Libor rates—up from 63 basis points to 115 points over the past 12 months—also make floating-rate assets more attractive than fixed rate, supporting further spread tightening.
- Outstanding asset-backed securities (ABS) volume net of CLOs and collateralized debt obligations (CDOs) is down marginally year over year.

Source: J.P. Morgan, Guggenheim Investments. Data as of 4.24.2017.

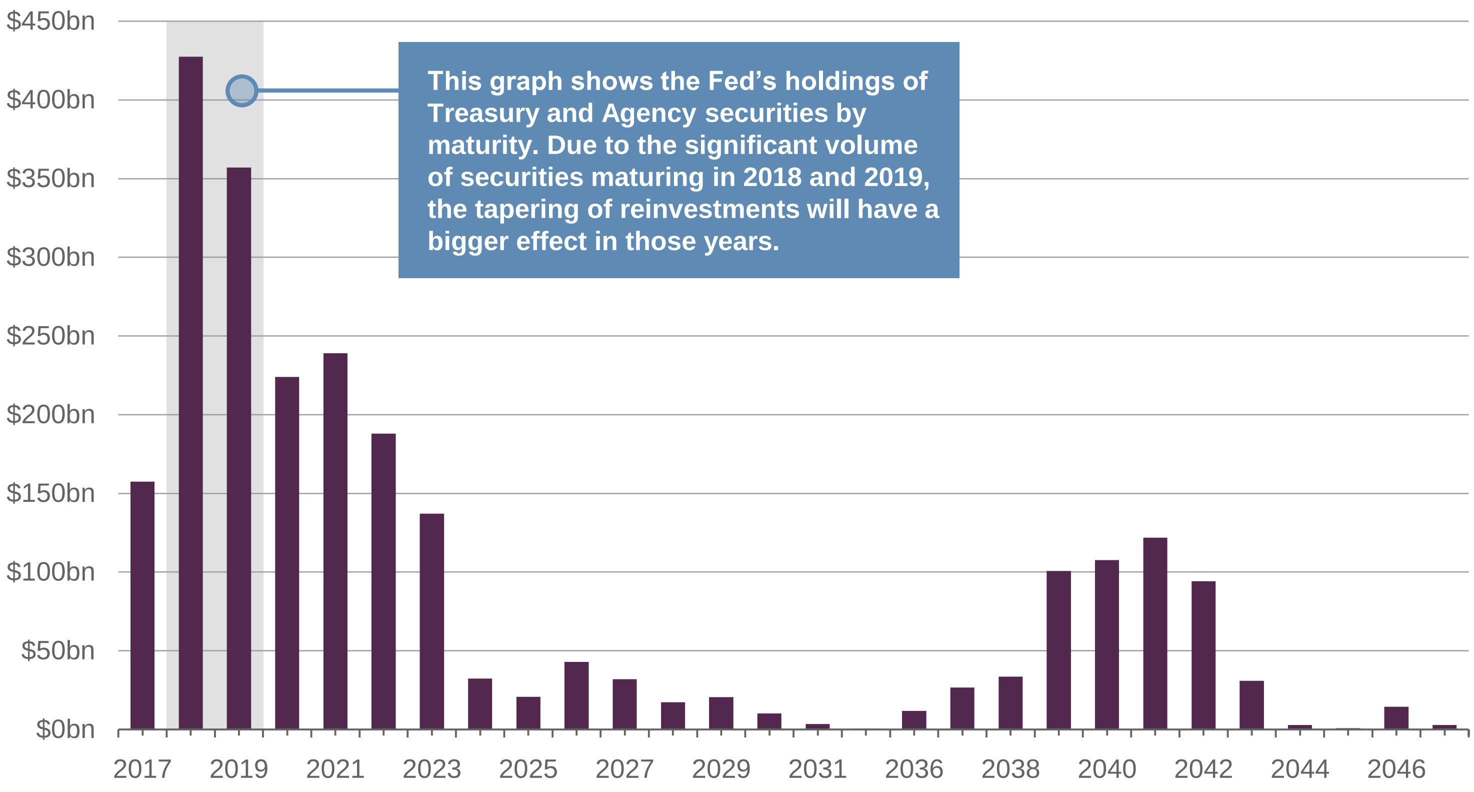
Risk Retention Drives Wider CMBS Subordinated Pricing Discrepancy



- The heightened demand for subordinated CMBS securities, as well as for other parts of the capital stack, may be partially explained by the new risk retention requirements.
- The market believes that the "skin in the game" required by the new regulations results in a generally superior risk profile for the risk retention structures. Our analysis of these securities, however, has found that their credit quality is generally similar to 2015 and 2016 pre-risk retention transactions.
- In our view, "risk retention" is more of a marketing hook driving investor preference, as opposed to a fundamental credit improvement.

Source: Wells Fargo, Guggenheim Investments. Data as of 4.26.2017. Senior AAA is also referred to as last cash flow, or LCF.

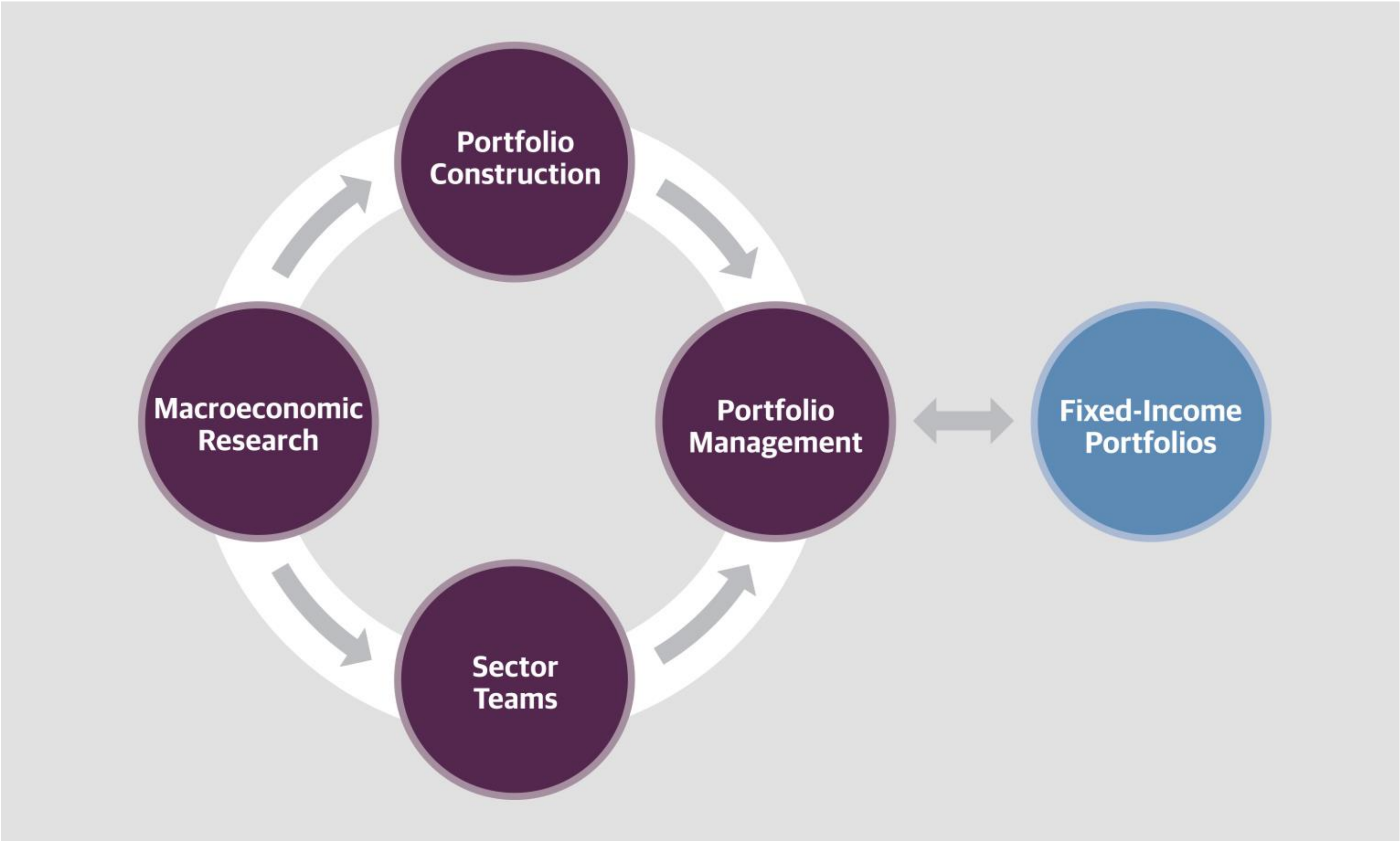
Roll Down of Fed Holdings Could Have Greatest Impact in 2018-2019



- The minutes of the FOMC's March 2017 meeting revealed that most officials supported a change to the reinvestment program policy later this year.
- We expect that the Fed will gradually roll off reinvestments, limiting the market impact at the early stages of the balance sheet normalization process.
- However, the end of the reinvestment program may have a bigger effect later in 2018 and 2019 when a significant volume of securities are expected to mature.
- We expect the Fed to announce more details about its strategy for normalizing its balance sheet in September.

Source: Federal Reserve Bank of New York, Guggenheim Investments. Data as of 4.26.2017.

Guggenheim's Investment Process



Guggenheim's fixed-income portfolios are managed by a systematic, disciplined investment process designed to mitigate behavioral biases and lead to better decision-making. Our investment process is structured to allow our best research and ideas across specialized teams to be brought together and expressed in actively managed portfolios. We disaggregated fixed-income investment management into four primary and independent functions—Macroeconomic Research, Sector Teams, Portfolio Construction, and Portfolio Management—that work together to deliver a predictable, scalable, and repeatable process. Our pursuit of compelling risk-adjusted return opportunities typically result in asset allocations that differ significantly from broadly followed benchmarks.

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[1] Guggenheim Investments total asset figure is as of 3.31.2017. The assets include leverage of $11.7bn for assets under management and $0.4bn for assets for which we provide administrative services. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Real Estate, LLC, GS GAMMA Advisors, LLC, Guggenheim Partners Europe Limited, and Guggenheim Partners India Management.

[2] Assets under management are as of 3.31.2017 and include consulting services for clients whose assets are valued at approximately $59bn.

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