Second Quarter 2019

Fixed-Income Outlook: Chart Highlights

Managing While Risk Premia Shrink

Guggenheim Investments

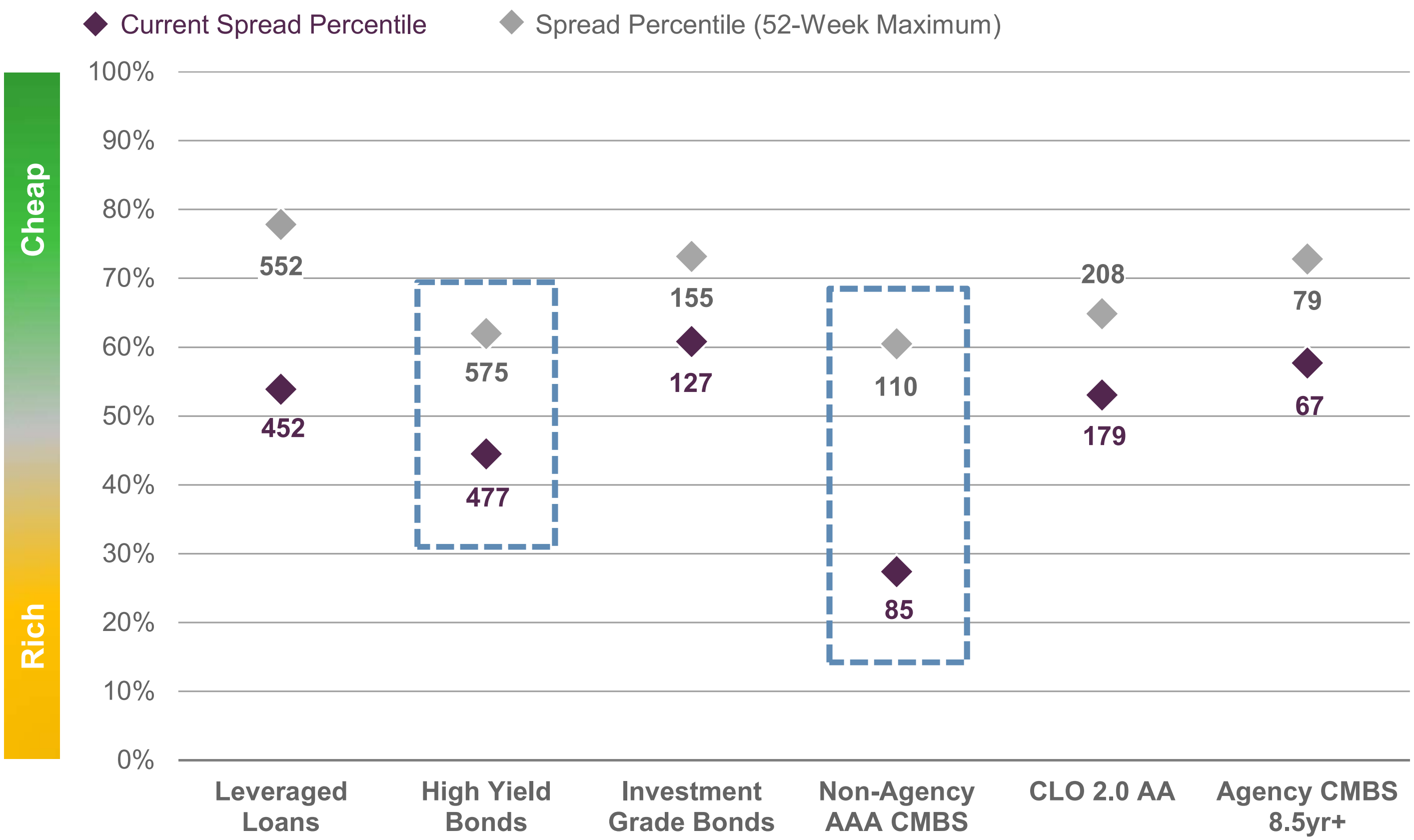
GUGGENHEIM

Table of Contents

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 2019 Fixed-Income Outlook***.

High-Yield Spreads and Non-Agency CMBS Are Below the 50th Percentile

Numerical Value = Spread Levels

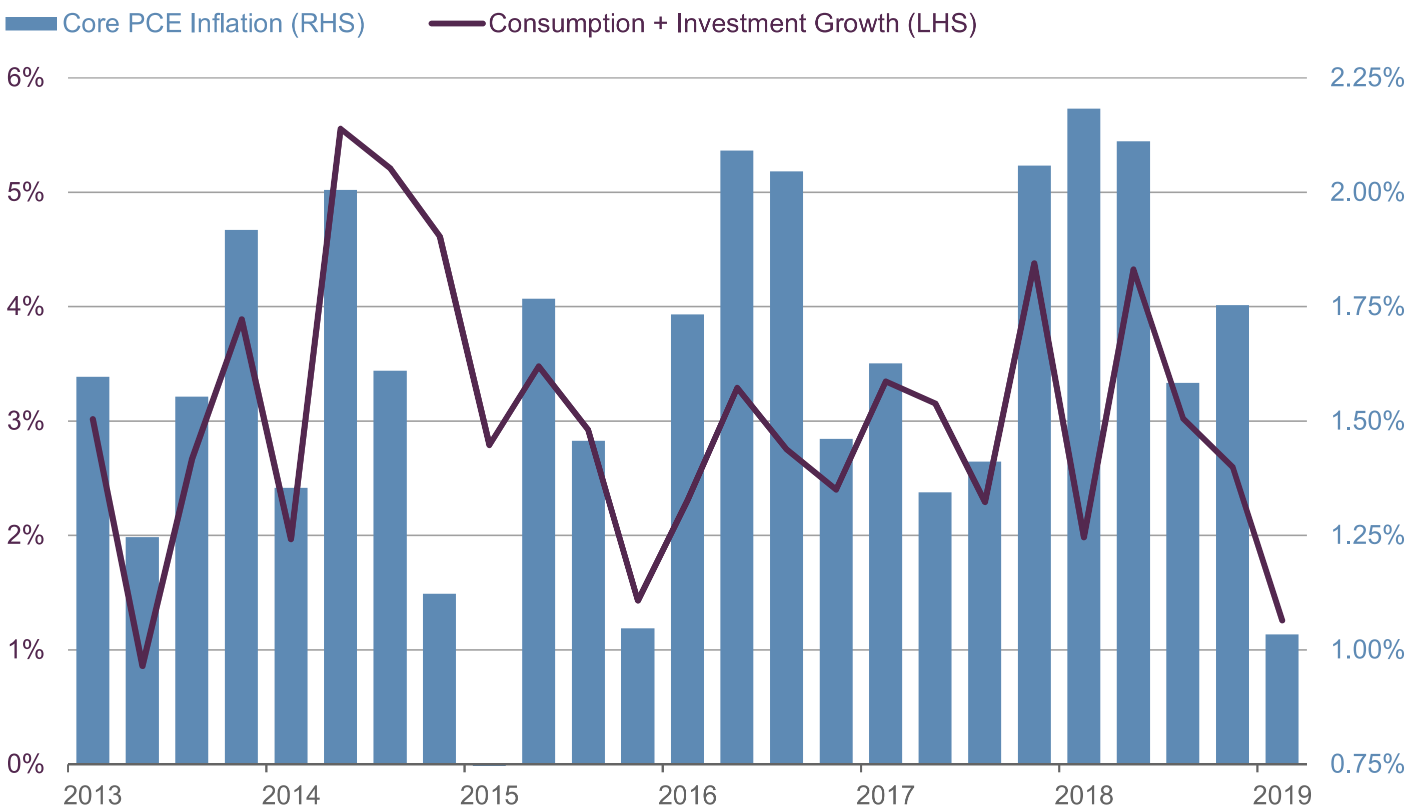


- High-yield corporate bond spreads and non-Agency CMBS are below the 50th percentile, representing some risk of retracement given that, historically, spreads have more often been wider than current levels.
- Investment-grade corporate bond spreads look a little cheaper relative to their own history, but the sector is rife with above-average leverage multiples.
- Given the compressed credit curve and tight spreads, we remain focused on capital preservation and protecting our clients from downside volatility.

Source: Guggenheim Investments, Credit Suisse. Data as of 5.31.2019. Index Legend: Credit Suisse Leveraged Loan index, Credit Suisse High-Yield Corporate Bond index, Bloomberg Barclays Investment-Grade Corporate Bond index, Bloomberg Barclays U.S. Aggregate index (Agency Bond and Agency RMBS subset), Historical CLO spreads were provided by Bank of America Merrill Lynch, current CLO spreads are based on J.P. Morgan CLOIE Index, Non-agency CMBS spreads were provided by J.P. Morgan Research. Based on all available history for each sector.

Underlying U.S. GDP Growth and Inflation Have Weakened

Quarterly % Change, Seasonally Adjusted Annual Rate

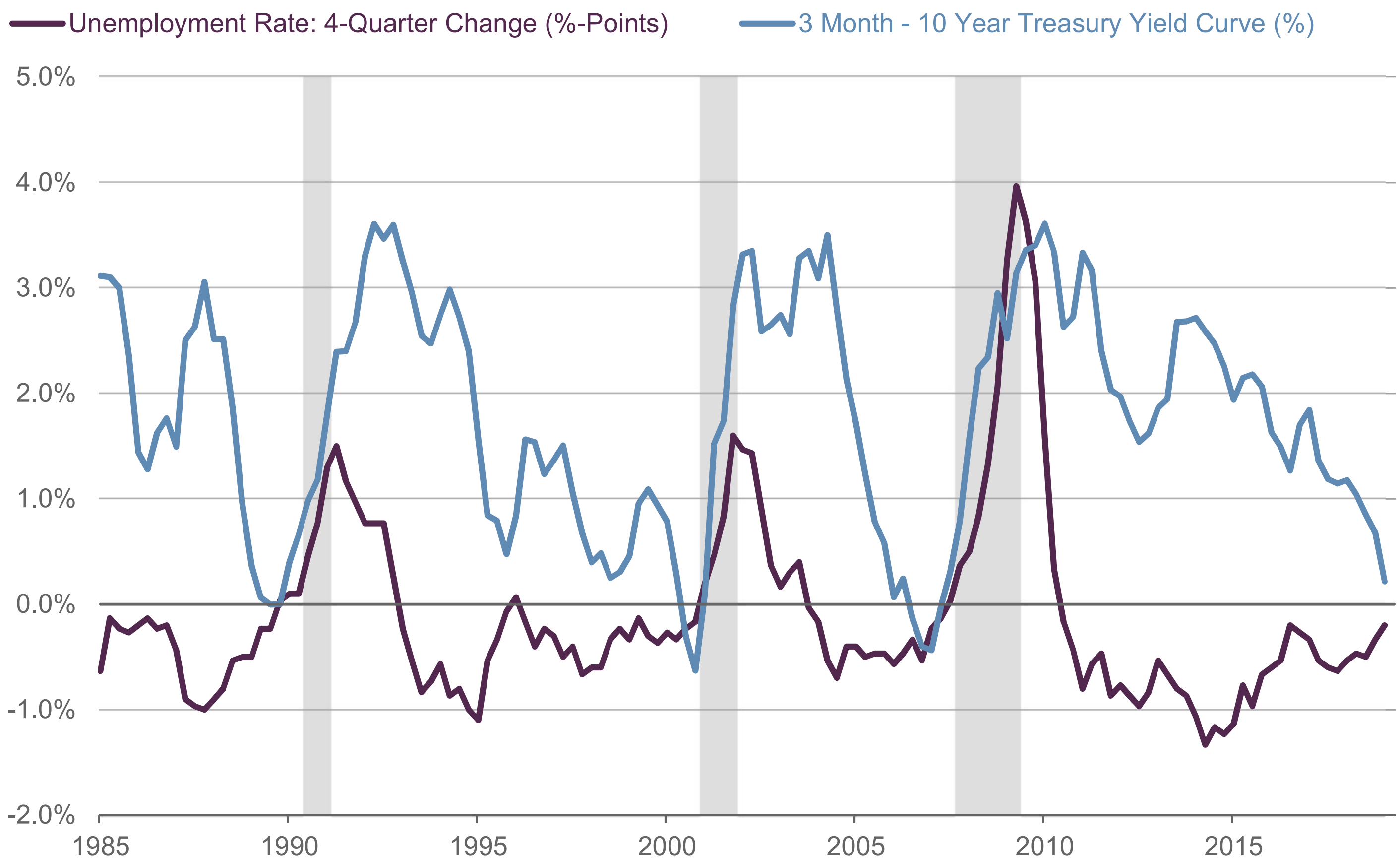


- First quarter U.S. economic growth of 3.1 percent was much stronger than initially projected, despite headwinds.
- However, consumption and investment spending, which together account for 85 percent of gross domestic product (GDP), grew by a meager 1.3 percent in the first quarter.
- Inflation also continued to decelerate, with the price deflator for core personal consumption expenditures (PCE) rising by 1.0 percent, the third consecutive quarterly reading below the Fed’s target.

Source: Guggenheim Investments, Haver Analytics, BEA. Data as of 3.31.2019.

Macroeconomic Outlook

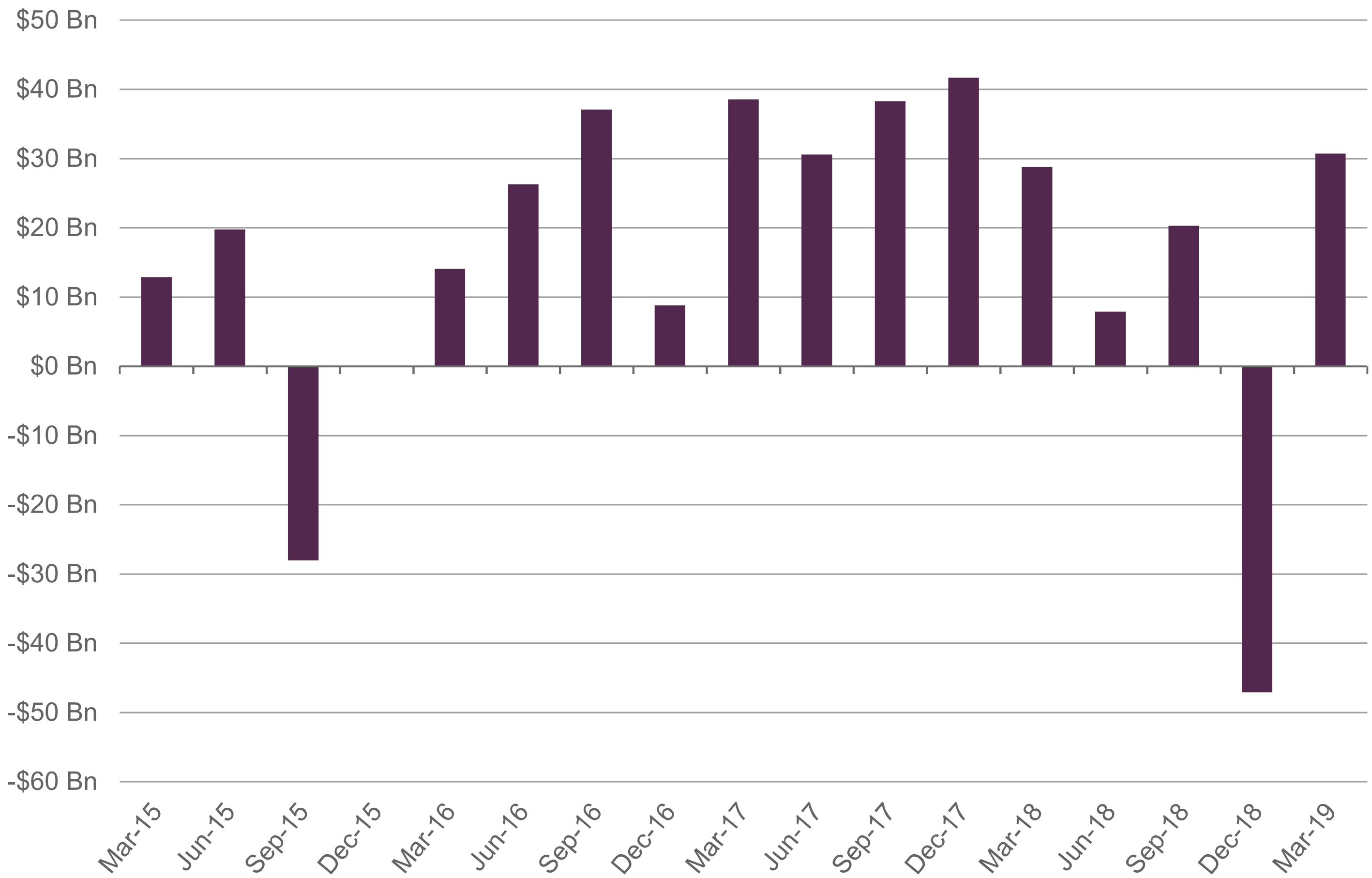
The Labor Market Is Confirming the Yield Curve's Late-Cycle Warning



- While the labor market remains relatively strong, the rate of improvement has moderated.
- The rate of increase in job openings has slowed sharply in the past six months, while the pace of decline in the unemployment rate has slowed to just 0.2 percentage point in the year through May.
- Historically, a flattening out of the unemployment rate has been a strong leading indicator of recession, especially when accompanied by a flat or inverted Treasury yield curve.

Source: Guggenheim Partners, Haver Analytics, BEA. Quarterly average data as of 3.31.2019. Q2 based on data through 6.11.2019.

Investment-Grade Corporate Bond Fund Flows See Sharp Reversal

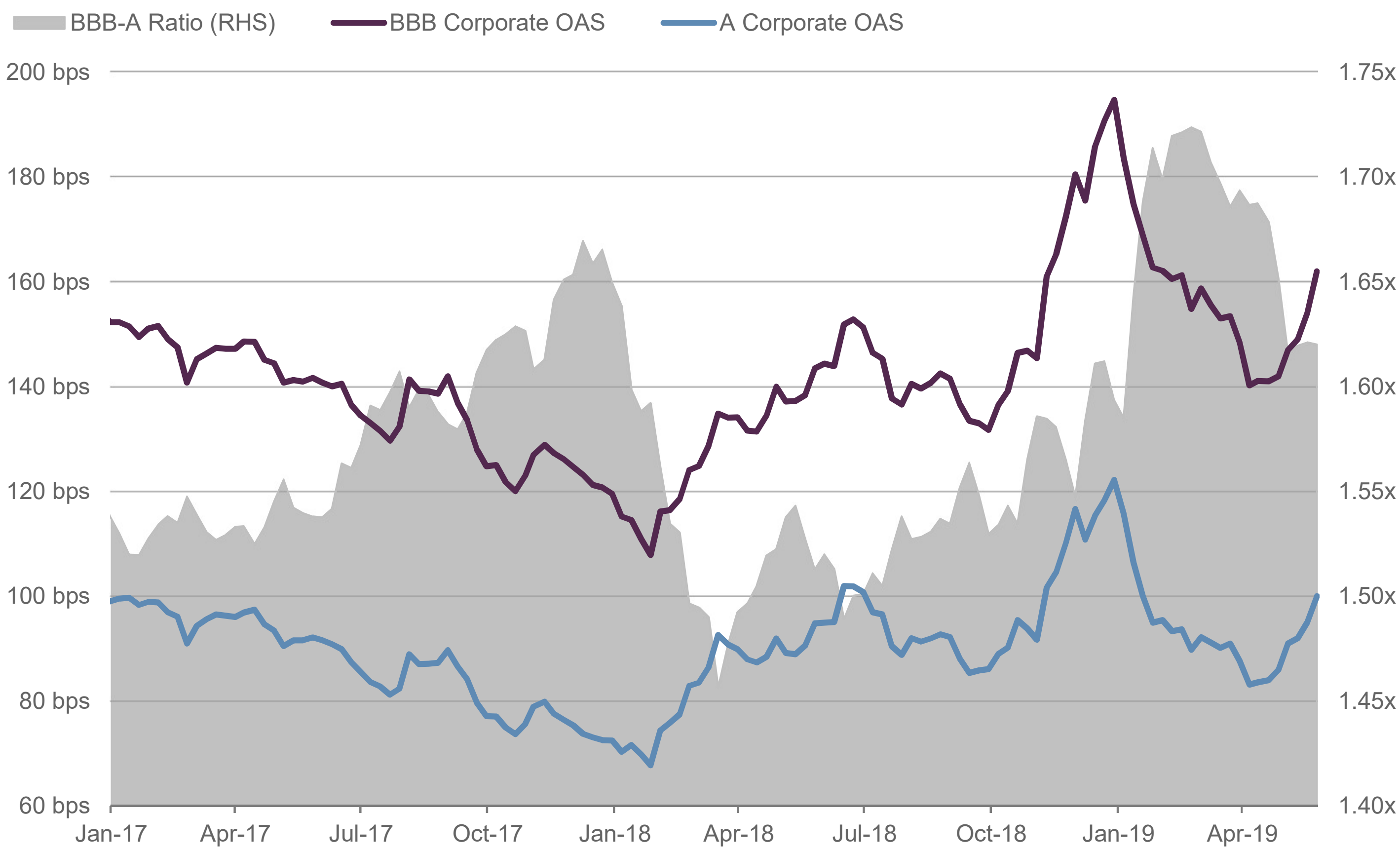


- The market experienced strong inflows into investment-grade funds during the first quarter of 2019, a sharp reversal from the fourth quarter.
- These inflows, combined with an underwhelming new-issue market, provided a strong technical backdrop for the broader market rally.

Source: Guggenheim Investments, Investment Company Institute, Bloomberg. Data as of 3.31.2019. Includes flows of investment-grade corporate mutual funds as reported by ICI and of the iShares iBoxx $ Investment-Grade Corporate Bond ETF (LQD), the largest U.S. Investment-Grade Corporate ETF.

Investment-Grade Corporate Bonds

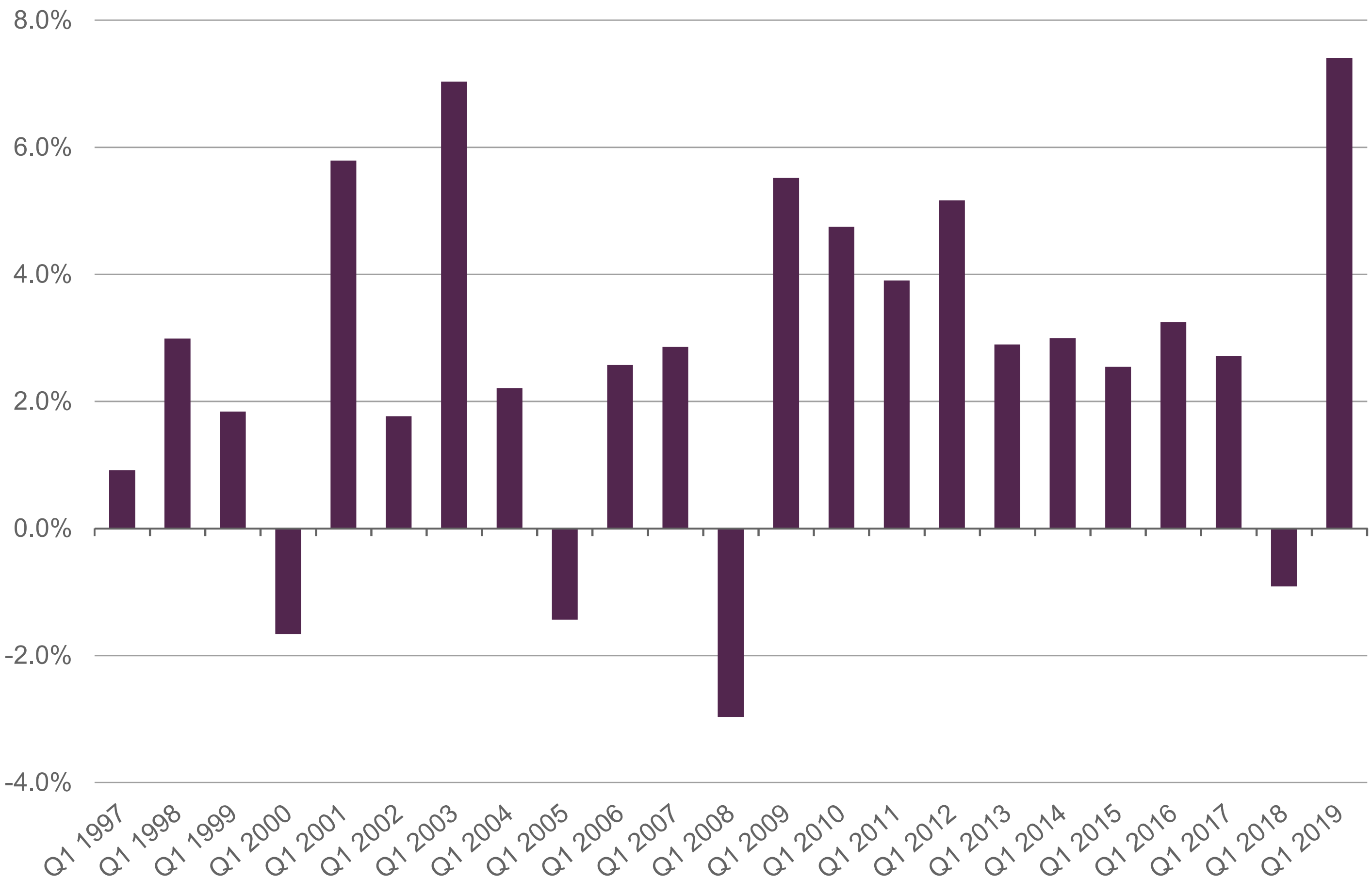
Plenty of Room for Further BBB Spread Compression



- BBBs' disproportionately high representation in the Bloomberg Barclays U.S. Corporate Bond index, and concerns about the ability of the high-yield corporate bond market to absorb a potential deluge of downgrades—drove the dramatic widening of spreads in the fourth quarter of 2018.
- This widening promptly reversed in the first quarter, as a result of the dovish pivot by the Fed, which suggested a return to lower-for-longer rate projections.
- As a result, BBB corporates outperformed single-As by 12 basis points year to date. Despite a strong first quarter for BBB spreads, the spread ratio of BBBs to single-As reveals plenty of room for further compression.

Source: Guggenheim Investments, Bloomberg Barclays. Data as of 5.31.2019. Note: OAS = option-adjusted spread.

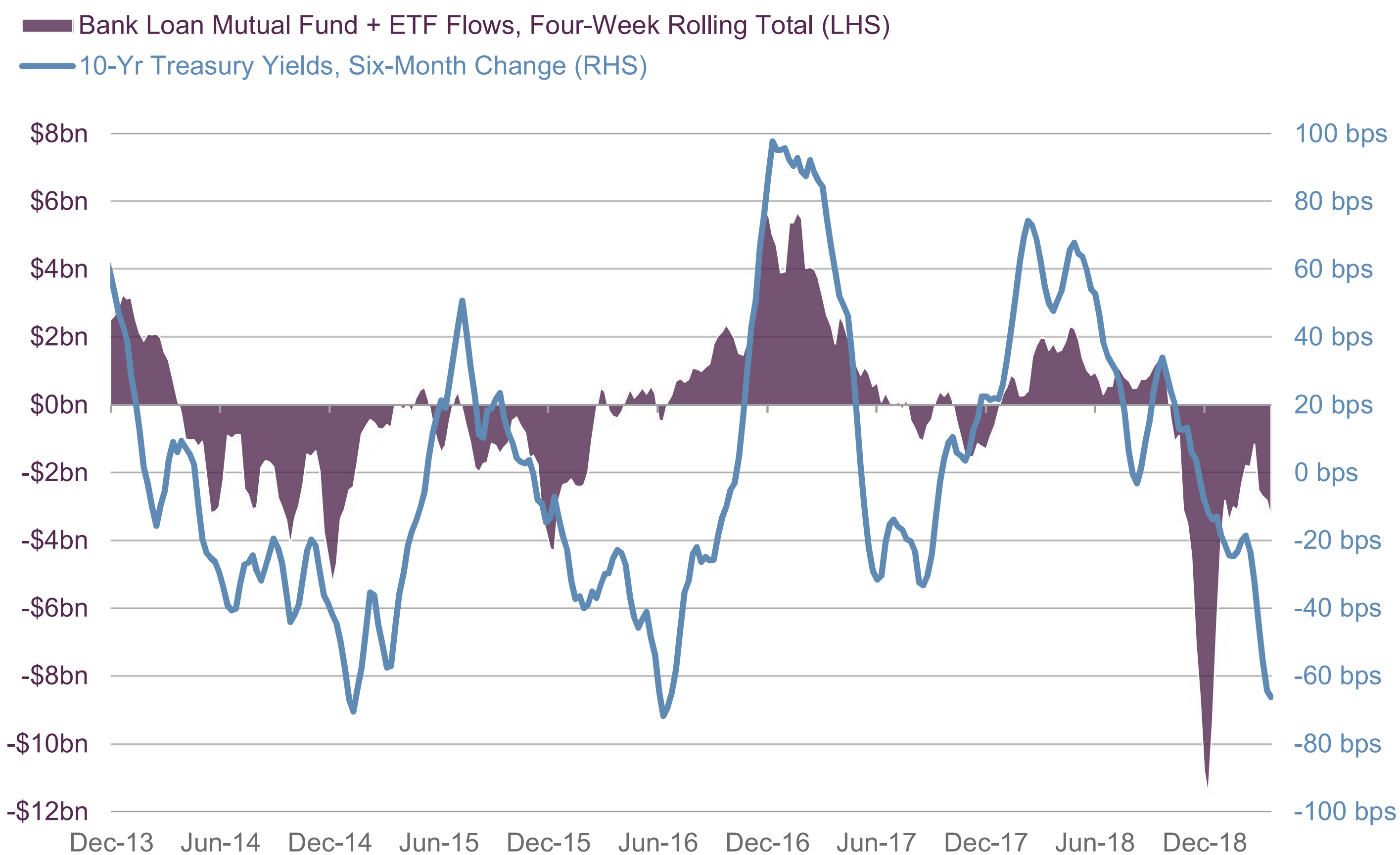
High-Yield Index Posted the Best Q1 on Record



- Based on net flows, high-yield mutual funds are capturing outflows from floating-rate bank loan funds and other sectors.
- This, coupled with a decline in rates, culminated in the high-yield corporate bond market's best first-quarter performance on record.

Source: Guggenheim Investments, ICE BofA Merrill Lynch. Data as of 3.31.2019.

Loan Fund Flows Loosely Correlated to Treasury Yield Changes

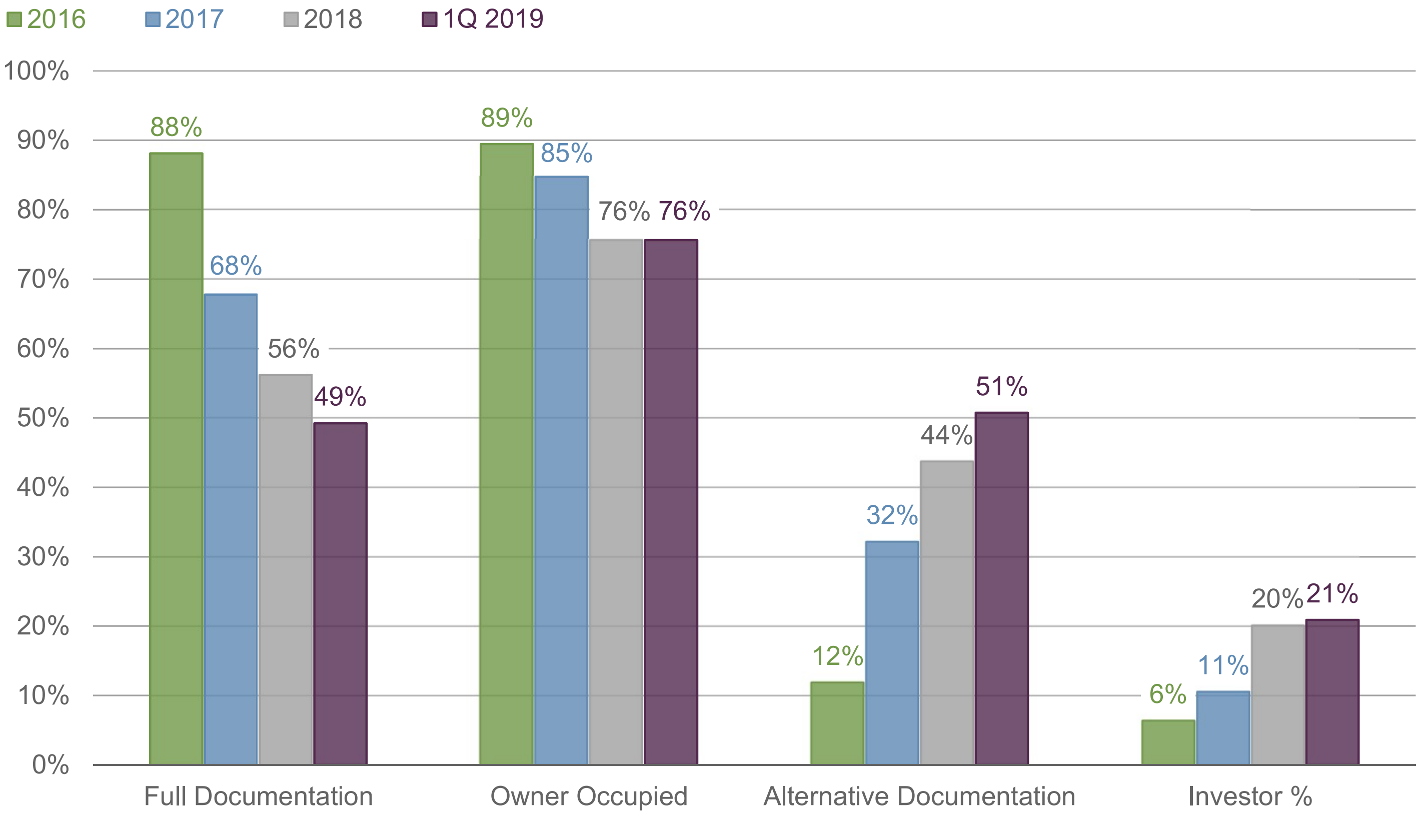


- The bank loan sector has continued to experience net outflows from mutual funds and exchange-traded funds (ETFs) this year, though as we expected, the pace of weekly outflows has been slowing compared to the end of 2018.
- Year to date, investors have pulled over $10 billion from bank loan mutual funds and ETFs combined, or approximately 6 percent of the assets under management as of the end of 2018.
- Over the past five years, flows have been loosely correlated with six-month changes in 10-year Treasury yields.

Source: Guggenheim Investments, EPFR, Haver Analytics, Bloomberg. Data as of 4.17.2019.

Non-Qualified Mortgage Deals Are Migrating from Traditional Borrowers

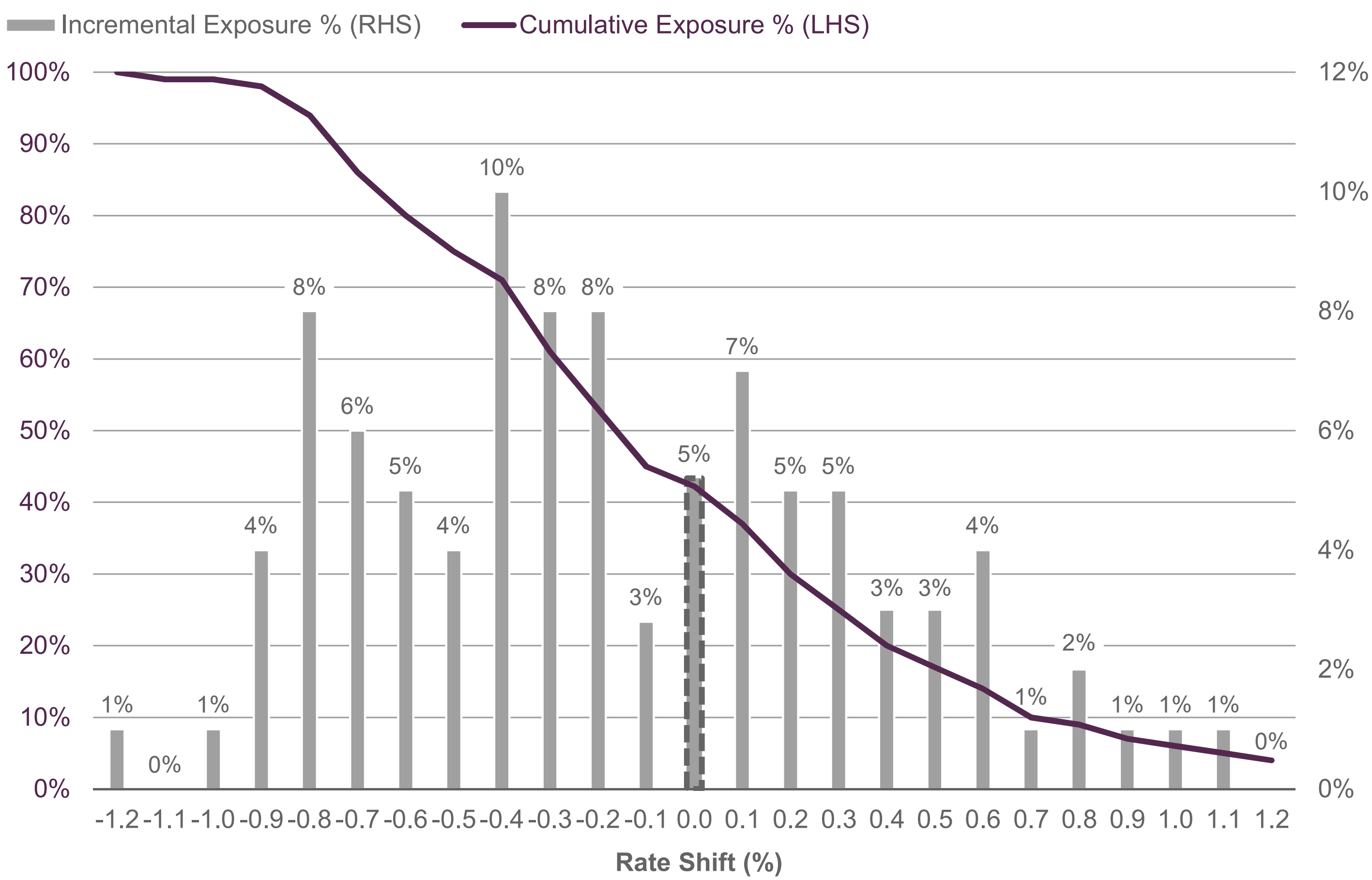
% of Mortgage Issuance by Borrower Attribute



- At the market's inception, non-QM loans focused on individuals recovering from financial difficulties arising from the Great Recession.
- Collateral composition and borrower attributes have shifted as the market has evolved, and issuance volumes increased.
- Deals backed by alternative forms of documentation represent 51 percent of issuance so far this year.

Source: Guggenheim Investments, Wells Fargo. Data as of 3.31.2019. Alternative documentation includes bank statements, asset depletion, and investor cashflows underwriting.

Mortgage Refinancing Exposure in Rate Shifts

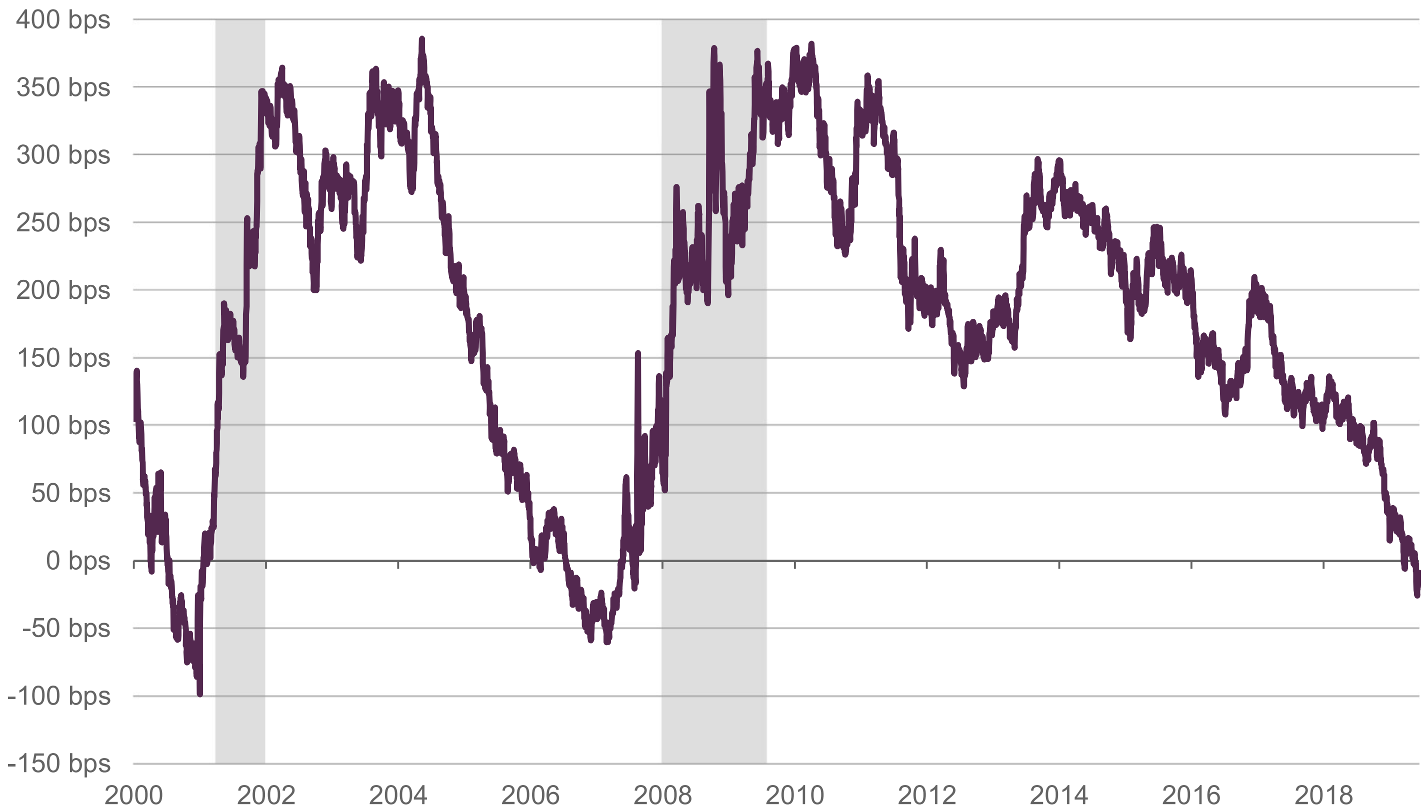


- While data for the next few months will likely show increases in prepayment speeds, we view overall risk as being contained at the current level of rates.
- The majority of mortgages were originated at lower rates, and only 25 percent of them have enough rate incentive right now to refinance.
- Rates would need to move lower by more than 20 basis points for the majority of mortgages to be in the "refinance zone."

Source: Guggenheim Investments, Credit Suisse. Data as of 6.10.2019.

An Inverted Yield Curve Has Historically Been a Precursor to Recession

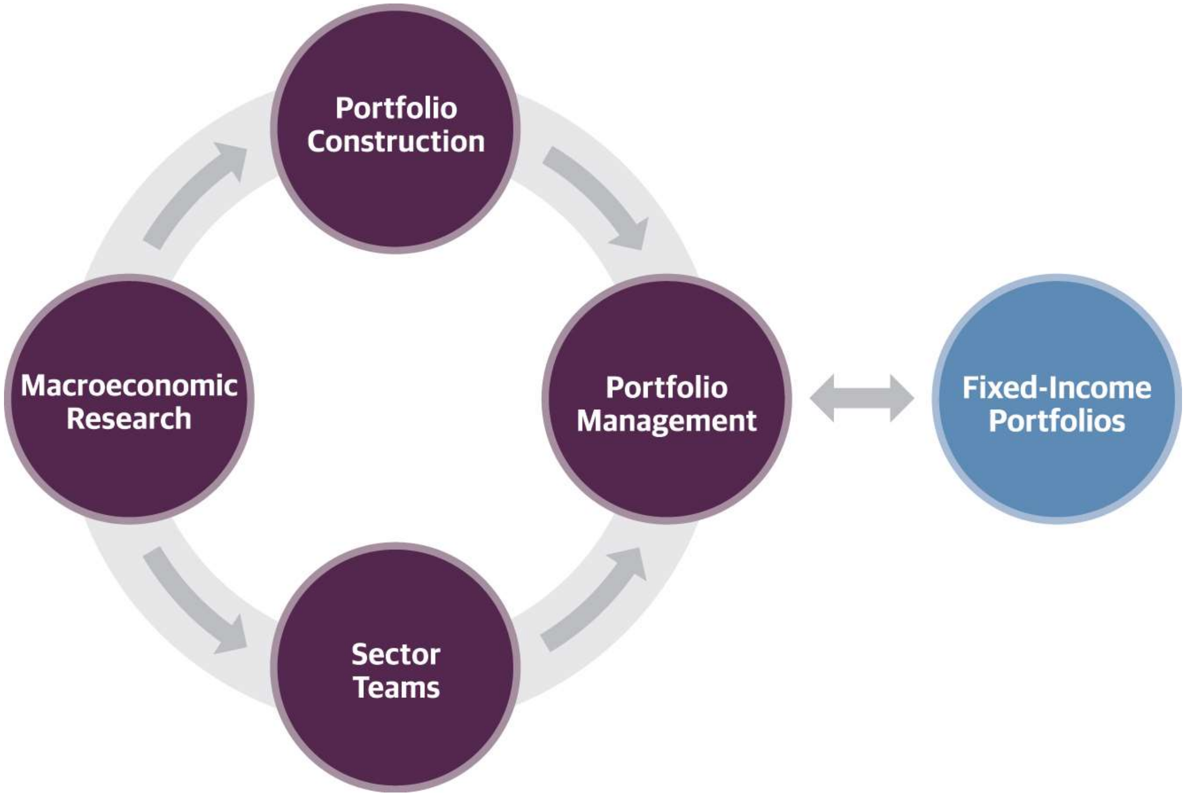
Three-Month/10-Year Treasury Yield Curve



- The first quarter of 2019 brought about a sea change in monetary policy direction from the Fed and overall capital market sentiment. Citing a weaker outlook for growth and contained inflation, the FOMC's Summary of Economic Projections, or dot plot, showed no further plans to tighten policy in 2019 from the current fed funds target rate of 2.25–2.50 percent.
- This marked a significant shift from its December meeting, at which most members had projected at least two hikes.
- Additionally, the Fed's plans for balance sheet normalization indicated a sooner-than-expected end to the program. In reaction to these new developments, the three-month/10-year Treasury yield curve inverted, historically a precursor to a recession.

Source: Guggenheim Investments, Bloomberg. Data as of 6.12.2019.

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 results in asset allocations that differ significantly from broadly followed benchmarks.

Important Notices and Disclosures

This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

This material contains opinions of the author or speaker, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.

One **basis point** is equal to 0.01 percent.

Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy or, nor liability for, decisions based on such information.

RISK CONSIDERATIONS Investing involves risk, including the possible loss of principal. Investments in **bonds** and other fixed-income instruments are subject to the possibility that interest rates could rise, causing their value to decline. Investors **in asset-backed securities**, including **mortgage-backed securities**, **collateralized loan obligations (CLOs)**, and other structured finance investments generally receive payments that are part interest and part return of principal. These payments may vary based on the rate at which the underlying borrowers pay off their loans. Some asset-backed securities, including mortgage-backed securities, may have structures that make their reaction to interest rates and other factors difficult to predict, causing their prices to be volatile. These instruments are particularly subject to interest rate, credit and liquidity and valuation risks. **High-yield bonds** may present additional risks because these securities may be less liquid, and therefore more difficult to value accurately and sell at an advantageous price or time, and present more credit risk than investment grade bonds. The price of high yield securities tends to be subject to greater volatility due to issuer-specific operating results and outlook and to real or perceived adverse economic and competitive industry conditions. **Bank loans**, including loan syndicates and other direct lending opportunities, involve special types of risks, including credit risk, interest rate risk, counterparty risk and prepayment risk. Loans may offer a fixed or floating interest rate. Loans are often generally below investment grade, may be unrated, and can be difficult to value accurately and may be more susceptible to liquidity risk than fixed-income instruments of similar credit quality and/or maturity. **Municipal bonds** may be subject to credit, interest, prepayment, liquidity, and valuation risks. In addition, municipal securities can be affected by unfavorable legislative or political developments and adverse changes in the economic and fiscal conditions of state and municipal issuers or the federal government in case it provides financial support to such issuers. A company's **preferred stock** generally pays dividends only after the company makes required payments to holders of its bonds and other debt. For this reason, the value of preferred stock will usually react more strongly than bonds and other debt to actual or perceived changes in the company's financial condition or prospects.

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. This material is intended to inform you of services available through Guggenheim Investments' affiliate businesses.

1. Guggenheim Investments assets under management are as of 3.31.2019. The assets include leverage of $11.3bn for assets under management. 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, GS GAMMA Advisors, LLC, Guggenheim Partners Europe Limited, and Guggenheim Partners India Management.

2. Guggenheim Partners assets under management are as of 3.31.2019 and include consulting services for clients whose assets are valued at approximately $60bn.

38721

Contact us

New York
330 Madison Avenue
New York, NY 10017
212 739 0700

Chicago
227 W Monroe Street
Chicago, IL 60606
312 827 0100

Santa Monica
100 Wilshire Boulevard
Santa Monica, CA 90401
310 576 1270

London
5th Floor, The Peak
5 Wilton Road
London, SW1V 1LG
+44 20 3059 6600

Tokyo
Otemachi First Square,
West Tower
1-5-1, Otemachi,
Chiyoda-ku, Tokyo 100-0004
+81 03 4577 7880

About Guggenheim Investments

Guggenheim Investments is the global asset management and investment advisory division of Guggenheim Partners, with more than $209 billion[1] in total assets across fixed income, equity, and alternative strategies. We focus on the return and risk needs of insurance companies, corporate and public pension funds, sovereign wealth funds, endowments and foundations, consultants, wealth managers, and high-net-worth investors. Our 300+ investment professionals perform rigorous research to understand market trends and identify undervalued opportunities in areas that are often complex and underfollowed. This approach to investment management has enabled us to deliver innovative strategies providing diversification opportunities and attractive long-term results.

About Guggenheim Partners

Guggenheim Partners is a global investment and advisory firm with more than $265 billion[2] in assets under management. Across our three primary businesses of investment management, investment banking, and insurance services, we have a track record of delivering results through innovative solutions. With 2,400+ professionals based in offices around the world, our commitment is to advance the strategic interests of our clients and to deliver long-term results with excellence and integrity. We invite you to learn more about our expertise and values by visiting GuggenheimPartners.com and following us on Twitter at twitter.com/guggenheimptnrs.