



Guggenheim Investments

WINNER: BEST FIXED INCOME FUNDS SMALL FUND FAMILY

Building on a Legacy

Institutional-caliber performance is goal of winning Guggenheim funds

Guggenheim Investments is the global asset management and investment advisory division of Guggenheim Partners, formed in 1999 as an outgrowth of Guggenheim Brothers, a family office that dates to the 1800s. The firm's roots are in institutional asset management. In 2007, it began expanding into mutual funds, with the goal of delivering institutional-caliber investment performance to financial advisers and their clients.

Guggenheim Partners was built on the principles that guided the Guggenheim family business: engaging highly talented people, challenging them to think creatively, and encouraging them to achieve extraordinarily high standards in their fields of expertise, says Scott Miner, chairman of Guggenheim Investments and global chief investment officer.

"We take a differentiated approach to fixed income management," Mr. Miner says. "We're much more interested in driving positive risk-adjusted client outcomes than hugging a benchmark. We also believe a shift away from traditional core fixed income management to a more diversified, multi-sector approach ... offers a more sustainable way to manage interest rate risk and generate attractive returns."

Guggenheim Partners has more than 2,500 professionals in more than 25 offices around the world; its largest offices are in New York, Chicago and Santa Monica, Calif. As of Dec. 31, 2014, Guggenheim Investments had more than \$195 billion in assets under management. About \$6 billion is in the seven mutual funds for which it won the Small Fund Family Lipper award.

In its fixed income funds, "The goal of Guggenheim's investment process is to make the best possible relative value, security selection and risk management decisions consistent with a portfolio's guidelines," Mr. Miner says. "We believe value can be added by potentially deviating from benchmark duration and sector or sub-sector allocations."

Guggenheim's fixed income investment process has three fundamental tenets:

- Fixed income markets are inefficient.

- Indices are investable, but not designed to maximize risk-adjusted returns.
- Capturing attractive yields, while remaining focused on the preservation of capital, is the surest path to superior long-term investment results.

In selecting holdings for their portfolios, they use both macro research and bottom-up research. On the macro side, Mr. Miner says, "We believe global themes and strategies reflect dynamics of relative value, economic drivers, inflation, interest rates, and geopolitical actions."

For example, he says, the firm's top-down research in 2006 helped it avoid excessive exposure to the sub-prime housing market. Macro views influence a number of factors in the portfolios, including average credit quality, duration and allocation among investment sectors.

The firm also employs bottom-up research. It has 150 investment professionals, 90 of whom are specifically dedicated to rigorous sector and security research, including sectors not included in benchmark indices.

Individual security selection is done by specialized teams within individual fixed income sectors, such as investment grade corporate bonds, asset-backed securities and municipals. Each sector has its own investment committee supported by a staff that evaluates individual credits and securities for approval by the committee. Portfolio managers implement specific portfolio strategies by selecting from the securities that have been analyzed and approved by the sector teams.

"We find it extremely effective to have teams of sector specialists intensely focus on credit and portfolio managers focus on relative value and portfolio risk management," Mr. Miner says.

Each portfolio has a dedicated team of managers, and each team is usually responsible for more than one portfolio, most often in the same strategy. For instance, the portfolio management team responsible for core fixed income strategy might manage both institutional separate accounts and mutual funds.



Scott Miner
Chairman and Global Chief
Investment Officer

"Our philosophy is that every portfolio must have performance that is sustainable, predictable and scalable in line with the objectives of the strategy," Mr. Miner says. The firm's disciplined investment process focuses on delivering consistent risk-adjusted returns.

"Because risk does not emanate from a single source, risk management is a shared responsibility of our organization and permeates our investment process," Mr. Miner says. "We utilize both qualitative and quantitative tools to understand and manage risks, with an acute focus on downside protection."

"Our approach to risk management incorporates both traditional evaluation of volatility to deliver risk-adjusted returns in terms usually measured by standard formulas. But we also embrace the behavioral finance view of risk that seeks to maximize upside capture while limiting the size and frequency of drawdowns," he says.

"This requires portfolios to be highly diversified with strict limits on individual sector or security concentrations. If you look at our portfolios, our average individual position size is generally very small."

He adds that the funds are designed to help investors bridge the gap between their income targets and the yields available through index-based investing.

"The Guggenheim philosophy has always been to focus on absolute returns and not relative returns. At times that has resulted in higher tracking error to industry benchmarks than our peers; however, we believe that conventional wisdom is a well-worn path to underperformance," he says. ♦

Past performance is no guarantee of future results.

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Read the fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives, risks, charges, expenses and other information, which should be considered carefully before investing. To obtain a prospectus and summary prospectus (if available), click here or call 800.820.0888.

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