

# Theme Commentary

## NDR Thematic Opportunities Portfolio, Series 2

November 2017

Unit Investment Trust

Guggenheim has created the NDR Thematic Opportunities Portfolio to provide investors with access to the comprehensive research capabilities of Ned Davis Research. Their proprietary 360<sup>o</sup> research approach combines both fundamental and technical analysis to translate macroeconomic and equity research into investable themes for the trust. With nearly 40 years of global research experience, Guggenheim feels NDR's objective, data-driven process makes them uniquely qualified to identify themes and stocks that have the potential to benefit over the life of the trust. There can be no guarantee that the forward-looking investment themes identified will come to fruition, that any security held by the trust will benefit directly from the current thematic opportunity or that the trust will meet its investment objective.

**Investment Objective:** The NDR Thematic Opportunities Portfolio, Series 2 (Trust) seeks to maximize total return primarily through capital appreciation.

Commentary below is provided from NDR for each of the four investable themes for the Trust.



### Rising Interest Rate Environment

NDR believes that the Fed will continue to raise rates in 2018 and 2019 in response to higher wages and low unemployment that policymakers equate with increases in future inflation. The financials sector may be a beneficiary.



### Rebuilding and Recovery

Hurricanes Irma and Harvey are expected to exceed \$150 billion of damages<sup>1</sup>. NDR believes high demand is expected in industries key to reconstruction efforts, such as home improvement retail, construction and engineering, industrial machinery, as well as information technology.



### Aging of the Millennials

Currently the largest generation to date, millennials (those born between 1982 and 2000), should have a larger impact on the economy compared to older generations. Increased spending due to household formation and potential tax cuts could benefit the consumer discretionary sector.



### Rising Oil Prices

NDR believes demand will be robust in a relatively strong global economy, but that production may struggle to keep up because of cutbacks in oil exploration and production during the most recent oil bear market. The potential for an oil shortage should cause prices to rise until the oil and gas industries can adequately ramp up their production levels.

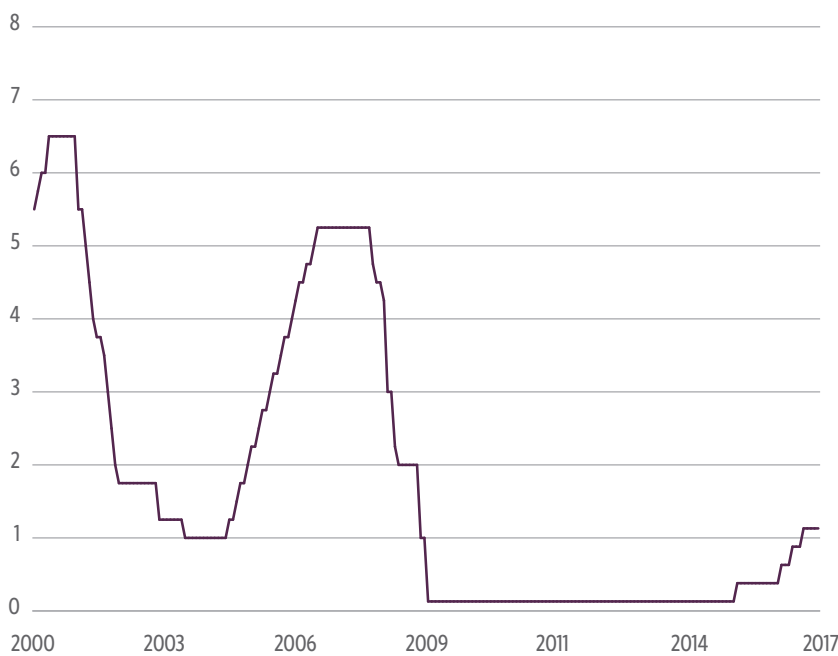


## Theme #1

# Rising Interest Rate Environment

Since December 2015, the Federal Reserve Bank's Federal Open Market Committee (FOMC) has slowly increased the fed funds rate from 0 percent to its current 1.25 percent. The fed funds rate is what banks charge on loans made to other banks, and is important since it has a ripple effect on interest rates of other kinds of loans made throughout the economy. FOMC members, on average, are signaling a continuation of the upward trend as they foresee rates rising to 2 percent in 2018 and closer to 3 percent in 2019<sup>1</sup>, in large part due to low unemployment that policymakers equate with increases in future inflation. As seen in the chart below, even with these series of hikes, the fed funds rate is still near historic lows. With a relatively low probability of a recession occurring in the intermediate term, NDR expects demand to remain strong which should serve to keep pushing rates higher. A major beneficiary of rising rates has recently been, and NDR believes will continue to be, companies in the financial sector. The sector had been a multi-year underperformer compared to the rest of the market, however as interest-rate sensitive margins have expanded and credit conditions eased, financials have outperformed. NDR believes these trends are likely to continue.

### Fed Funds Target Rate (%)



Source: Federal Reserve Board, as of 10.31.2017. Past performance is not a guarantee of future results. There is no guarantee that the trends and projections noted above will continue or come to fruition and they are subject to change.

Holdings, breakdown, and weightings are as of 11.27.2017 and subject to change.

Company	Ticker	Description
<b>Financials - 29.65%</b>		
Affiliated Managers Group, Inc.	AMG	Global asset management company that invests in boutique investment management firms.
Amern Equity Invnt Life Holding Company	AEL	Develops, markets, issues, and administers annuities and life insurance products through its subsidiaries.
Bank of the Ozarks	OZRK	Operates as a full-service bank which serves customers in the United States.
BlackRock, Inc.	BLK	Provides diversified investment management services to institutional clients and retail investors, and also manages funds and provides risk management services to fixed income institutional investors.
Charles Schwab Corporation	SCHW	Provides a variety of financial services to individual investors, independent investment managers, retirement plans, and institutions.
East West Bancorp, Inc.	EWBC	A holding company for East-West Bank, a commercial bank which operates in California.
Legg Mason, Inc.	LM	A global asset management company.
MetLife, Inc.	MET	Provides individual insurance, employee benefits, and financial services.
MGIC Investment Corporation	MTG	Provides private mortgage insurance services.
PacWest Bancorp	PACW	A bank holding company, offering a wide range of commercial banking services through its subsidiaries..
S&P Global, Inc.	SPGI	Provides clients with financial information services and operates worldwide.

<sup>1</sup> Source: <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20170920.htm>

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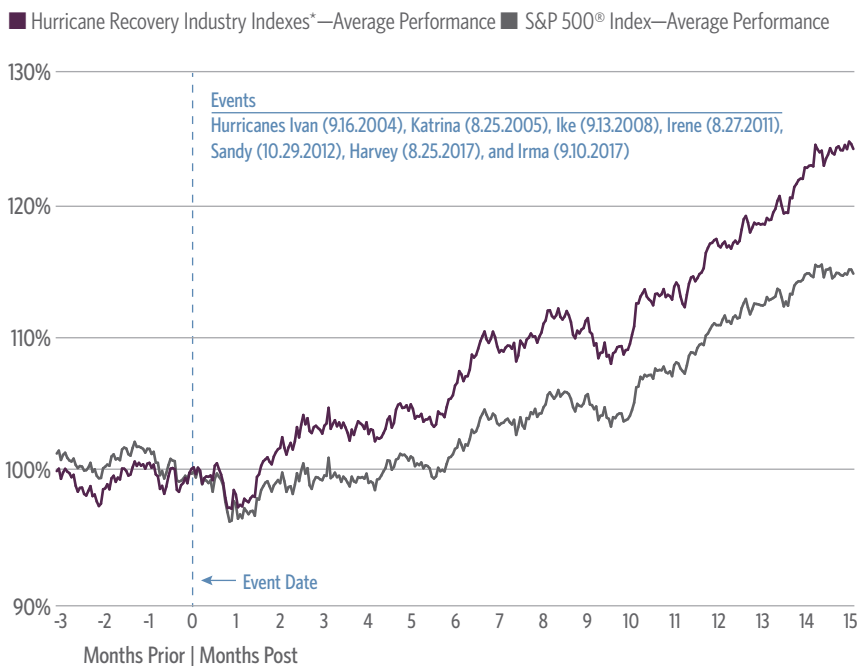


## Theme #2

# Rebuilding and Recovery

The damages from Hurricanes Harvey and Irma are expected to exceed \$150 billion, which is on par with the cost of Hurricane Katrina in 2005.<sup>2</sup> Harvey and Irma went through highly populated areas surrounding Houston, and high-growth areas along Florida's Gulf Coast, leaving behind extensive damage to households, businesses, and infrastructure. NDR expects high demand in industries that are key to the reconstruction efforts, such as home improvement retail, construction & engineering, and industrial machinery, as well as to information technology recovery and upgrades, such as application software, data processing & outsourced services, electrical components, and semiconductor equipment. The following chart shows an average historical performance in identified GICS (Global Industry Classification Standard) sub-industries that NDR believes will be in high demand following various hurricane events versus the S&P 500® Index.

### Performance of Hurricane Recovery vs. S&P 500® Index after Major Disasters



Source: Ned Davis Research, S&P Dow Jones Indices as of 10.31.2017. Past performance is no guarantee of future results. The average performance of the Indexes is shown for illustrative purposes only; it is not meant to forecast, imply or guarantee the future performance of any particular investment or the Trust, which will vary. Securities in which the Trust invests may differ from those in the Indexes. The Trust will not try to replicate the performance of the Indexes and will not necessarily invest any substantial portion of its assets in securities in the Indexes. Indexes are unmanaged and it is not possible to invest directly in the Indexes.

\*GICS Sub-Industry Indexes contain the following Indexes: Home Improvement Retail Index, Industrial Machinery Index, Building Products Index, Construction & Engineering Index, Electrical Components & Equipment Index, Application Software Index, Data Processing & Outsourced Services Index, and Semiconductor Equipment Index. All Index definitions can be found on last page.

Holdings, breakdown, and weightings are as of 11.27.2017 and subject to change.

Company	Ticker	Description
<b>Consumer Discretionary - 1.75%</b>		
Lowe's Companies, Inc.	LOW	Home improvement retailer that distributes building materials and supplies through stores in the United States.
<b>Industrials - 16.97%</b>		
EMCOR Group, Inc.	EME	Provides mechanical and electrical construction and facilities services around the world.
EnerSys	ENS	Manufactures, markets, and distributes industrial batteries and other related products.
Fortune Brands Home & Security, Inc.	FBHS	Provides home and security products.
Masco Corporation	MAS	Manufactures and sells home improvement and building products to both consumers and contractors.
Middleby Corporation	MIDD	Designs, manufactures, markets, and services a broad line of equipment for use in cooking and preparing food and serves customers worldwide.
RBC Bearings, Inc.	ROLL	Designs, manufactures, and markets a broad portfolio of bearing products.
Regal Beloit Corporation	RBC	Designs, manufactures, and sells electric motors and controls.
<b>Information Technology - 12.16%</b>		
Applied Materials, Inc.	AMAT	Develops, markets, manufactures, and services semiconductor wafer fabrication equipment and related spare parts for the worldwide semiconductor industry.
Cabot Micro-electronics Corporation	CCMP	Supplies slurries used in chemical mechanical planarization, a polishing process used in the manufacture of integrated circuit devices.
Lam Research Corporation	LRCX	Manufactures, markets, and services semiconductor processing equipment used in the making of integrated circuits, and sells its products worldwide.
MAXIMUS, Inc.	MMS	Provides program management and consulting services to state and local governments throughout the United States.
SS&C Technologies Holdings, Inc.	SSNC	Develops and markets computer software for financial services providers.

<sup>2</sup> Source: Money.com, Hurricanes Irma and Harvey have racked up billions in damages. Who pays? Sept 16, 2017 <http://money.cnn.com/2017/09/15/news/economy/irma-harvey-damage-who-pays/index.html>

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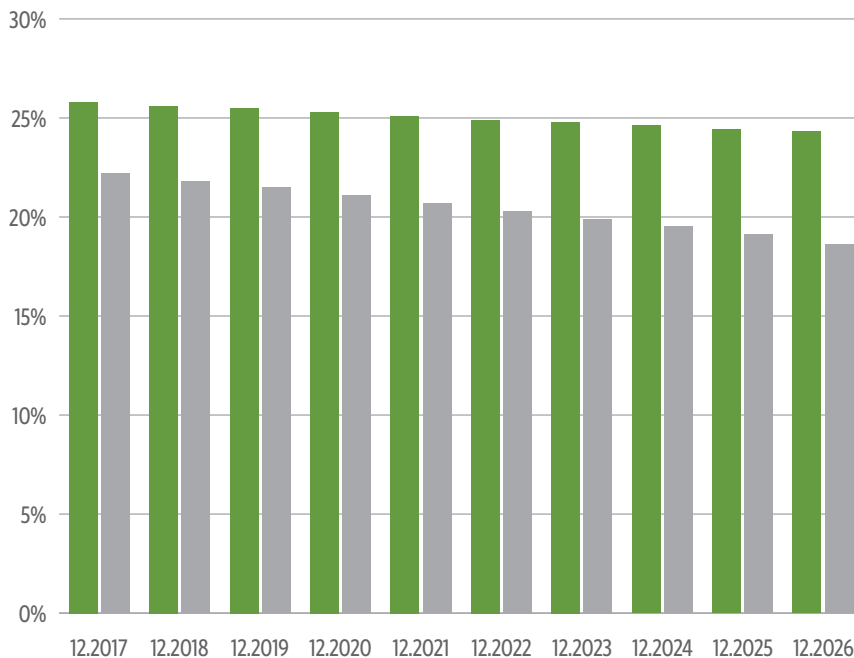
## Theme #3

# Aging of the Millennials

Ages of people in the millennial generation currently span from high school age to the mid-30s, and as the largest generation to date, millennials will have a larger impact on the economy compared to older generations. Note in the accompanying chart that millennials are predicted to make up an increasingly larger share of total population relative to the baby boomer generation. NDR believes the U.S. will continue to see increased household formation from millennials, which translates to spending on houses and household products, cars, and select retailers. Potential tax cuts from the new administration should also lead to increased spending as disposable incomes increase. To participate in this theme, the portfolio is invested in a broad range of stocks in the consumer discretionary sector.

### Projected Percentage of U.S. Population by Generation

■ Millennials (Born 1982-2000) ■ Boomers (Born 1946-1964)



Source: 2014 National Population Projections (U.S. Census Bureau). There is no guarantee that the trends and projections noted above will continue or come to fruition and they are subject to change.

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Holdings, breakdown, and weightings are as of 11.27.2017 and subject to change.

Company	Ticker	Description
<b>Consumer Discretionary - 25.19%</b>		
Best Buy Company, Inc.	BBY	Retails consumer electronics, home office products, entertainment software, appliances, and related services through its retail stores and website.
Expedia, Inc.	EXPE	Provides online travel shopping and reservation services for leisure and small-business travelers.
Gentex Corporation	GNTX	Designs, manufactures, and markets products using electro-optic technology worldwide.
Lear Corporation	LEA	Manufactures automobile parts.
NVR, Inc.	NVR	Builds and markets homes and conducts mortgage banking activities.
Office Depot, Inc.	ODP	Operates a chain of office product warehouse stores, selling branded merchandise and providing business services to small- and medium-sized businesses and the home office market.
Priceline Group, Inc.	PCLN	Operates as an online travel company.
Sothebys	BID	Auctions fine arts, antiques, and collectibles in various categories. They also purchase and resell art, brokers art, markets and brokers luxury residential real estate, provides art-related financing, and restores art.
Toll Brothers, Inc.	TOL	Builds luxury homes in several regions of the United States.
Walt Disney Company	DIS	An entertainment company that conducts operations in media networks, studio entertainment, theme parks and resorts, consumer products, and interactive media, and produces motion pictures, television programs, music recordings, books, and magazines.

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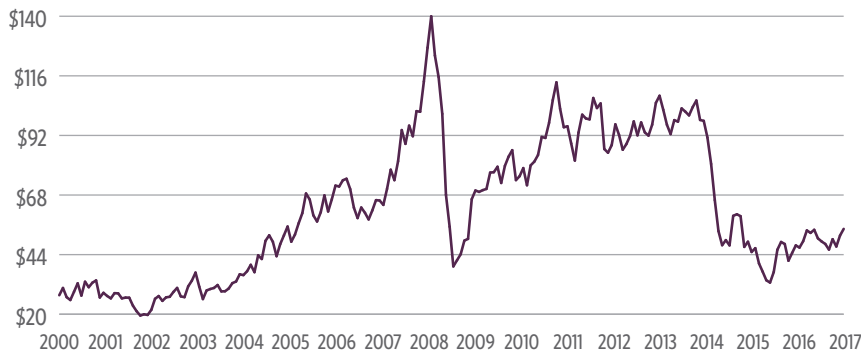


## Theme #4

# Rising Oil Prices

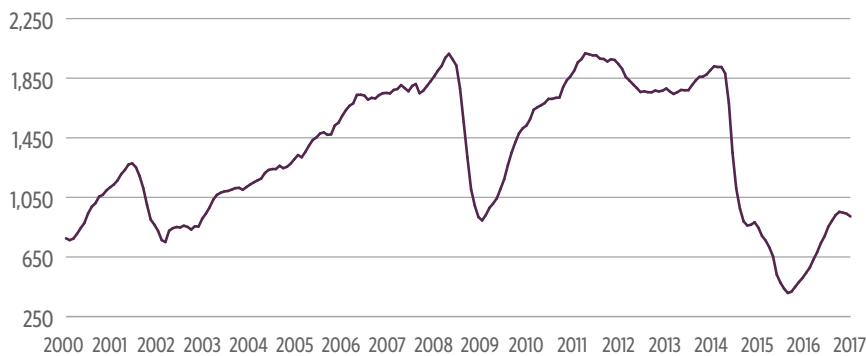
After hovering around \$100/barrel (\$/bbl) from 2011–2014, crude oil prices fell roughly 75 percent through 2015 (see top chart below). Using historical secular movements in oil prices as a guide, we believe the rally in prices that started in 2016 will continue for several years aided by a mismatch in oil consumption with production. NDR believes demand will be robust in a relatively strong global economy, but that production could struggle to keep up because of cutbacks in oil exploration and production (see bottom chart) during the most recent oil bear market. The potential for an oil shortage should cause prices to rise until the oil and gas industries can adequately ramp up their production levels. NDR has selected stocks of companies in the energy sector we believe to be well positioned to benefit from global growth and a bull market in oil.

### West Texas Intermediate Crude Oil (\$/bbl)



Source: U.S. Energy Information Administration as of 10.31.2017. West Texas Intermediate Crude Oil: Crude oil is the world's most actively traded commodity, and the NYMEX Division light, sweet crude oil futures contract is the world's most liquid forum for crude oil trading, as well as the world's largest-volume futures contract trading on a physical commodity.

### U.S. Oil and Natural Gas Rig Counts



Source: Baker Hughes Incorporated, as of 10.31.2017

Holdings, breakdown, and weightings are as of 11.27.2017 and subject to change.

Company	Ticker	Description
<b>Energy Sector - 14.28%</b>		
Andeavor	ANDV	Refines and markets petroleum products and serves customers in the United States.
Devon Energy Corporation	DVN	An independent energy company with operations primarily in North America that is involved in oil and gas exploration, development and production, transportation of oil, gas, and NGLs, and the processing of natural gas.
Exxon Mobil Corporation	XOM	Operates petroleum and petrochemicals businesses on a worldwide basis.
Halliburton Company	HAL	Provides energy, engineering, and construction services, as well as manufactures products for the energy industry.
HollyFrontier Corporation	HFC	Through its affiliates, refines, transports, stores, and markets petroleum products which are marketed throughout the southwestern United States and northern Mexico.
Phillips 66	PSX	A downstream energy company whose operations include oil refining, power generation, and chemical manufacturing.

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## Portfolio Summary

Inception Date	11.28.2017
Termination Date	2.28.2019
Initial Offer Price	\$10.00
Number of Issues	40
Historical Annual Dividend Distribution <sup>1</sup>	\$0.1053
Distributions	25th day of each month commencing on 12.25.2017, if any

## Ticketing Information

CUSIP (cash payment)	40173C266
CUSIP (reinvestment accounts)	40173C274
CUSIP (fee-cash)	40173C282
CUSIP (fee-reinvest)	40173C290
Ticker	CTOPBX

## Sales Charges

Standard Accounts	Amount Per Unit	Percentage of Public Offering Price
Deferred S/C <sup>2</sup>	\$0.135	1.35%
Creation and Development (C&D) Fee	\$0.050	0.50%
Total S/C	\$0.185	1.85%

Fee/Wrap Accounts <sup>3</sup>	Amount Per Unit	Percentage of Public Offering Price
Creation and Development (C&D) Fee	\$0.050	0.50%
Total S/C	\$0.050	0.50%

<sup>1</sup> The Historical Annual Dividend Distribution is as of 11.27.2017 and subject to change. The amount of distributions paid by the Trust's securities may be lower or greater than the above stated amount due to certain factors that may include, but are not limited to, a change in the dividends paid by issuers, a change in Trust expenses or the sale or maturity of securities in the portfolio. Fees and expenses of the Trust may vary as a result of a variety of factors including the Trust's size, redemption activity, brokerage and other transaction costs and extraordinary expenses. <sup>2</sup> The deferred sales charge (DSC) is a fixed amount and will be deducted in monthly installment on the last business day commencing March 2018 and ending May 2018 or upon early redemption. For unit prices other than \$10, percentages of C&D fees, and DSCs will vary but in no event will the maximum sales charge (S/C) exceed the total S/C. Early redemption of units will still cause payment of the DSC. However, an initial sales charge, which is equal to the difference between the maximum S/C and the sum of any remaining deferred S/C charges and C&D, will be charged if the price paid for units exceeds \$10 per unit. <sup>3</sup> For unit prices other than \$10, percentage of the C&D fee will vary.

**\*Index Definitions: Home Improvement Retail Index**—Owners and operators of home and garden improvement retail stores. Includes stores offering building materials and supplies. **Industrial Machinery Index**—Manufacturers of industrial machinery and industrial components. Includes companies that manufacture presses, machine tools, compressors, pollution control equipment, elevators, escalators, insulators, pumps, roller bearings and other metal fabrications. **Building Products Index**—Manufacturers of building components and home improvement products and equipment. Excludes lumber and plywood classified under Forest Products and cement and other materials classified in the Construction Materials Sub-Industry. **Construction & Engineering Index**—Companies engaged in primarily non-residential construction. Includes civil engineering companies and large-scale contractors. Excludes companies classified in the Homebuilding Sub-Industry. **Electrical Components & Equipment Index**—Companies that produce electric cables and wires, electrical components or equipment not classified in the Heavy Electrical Equipment Sub-Industry. **Application Software Index**—Companies engaged in developing and producing software designed for specialized applications for the business or consumer market. Includes enterprise and technical software. Excludes companies classified in the Home Entertainment Software Sub-Industry. Also excludes companies producing systems or database management software classified in the Systems Software Sub-Industry. **Data Processing & Outsourced Services Index**—Providers of commercial electronic data processing and/or business process outsourcing services. Includes companies that provide services for back-office automation. **Semiconductor Equipment Index**—Manufacturers of semiconductor equipment, including manufacturers of the raw material and equipment used in the solar power industry. **S&P 500® Index**—is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Index is unmanaged, it is not possible to invest directly in the Index, and its returns do not include payment of any sales charges or fees which would lower performance.

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