Quarterly Commentary—Q4 2023

# Floating Rate Strategies Fund

Mutual Fund | Fixed Income

## Market Review

Bank loans posted another strong month in December, with the Credit Suisse Leveraged Loan Index returning 1.61 percent. That raised the quarterly return to 2.85 percent and the annual return to 13.04 percent, the second-best year on record for the index. Interest drove three-quarters of loan returns for the year, with price appreciation making up the remainder.

Single Bs[3] were the top-performing rating sector for Q4 at 3.05 percent, followed by BBs at 2.70 percent and CCCs at 2.33 percent. For the year, however, issuers with lower ratings outperformed, driven by their higher coupons. CCCs returned 16.13 percent, Bs 14.41 percent, and BBs 10.05 percent. Price appreciation accounted for more of the return for the lower-ratings segments.

New-issue volume was light in December, coming in at $8.5 billion. However, this was complemented by a surge in repricing activity, which is not captured in the new issue figures. The share of loans priced at par or higher reached about 40 percent in the month, leading to $20 billion of repricing activity for the month and bringing the full-year tally to $81 billion.

Market Review continued on page 2.

### Average Annual Total Returns As of 12.31.2023

| | 3-Month | YTD | 1-Year | 3-Year | 5-Year | 10-Year | Since Fund Inception | Expense Ratio Gross/Net[4]/ Adjusted[5] | Fund Inception Date |
|---|---|---|---|---|---|---|---|---|---|
| Institutional | 2.48% | 12.96% | 12.96% | 5.60% | 5.10% | 4.05% | 4.87% | 0.90%/0.80%/0.78% | 11.30.2011 |
| A Class (No Load) | 2.42% | 12.70% | 12.70% | 5.36% | 4.86% | 4.86% | 4.62% | 1.17%/1.04%/1.02% | 11.30.2011 |
| A Class (Load) | -0.66% | 9.33% | 9.33% | 4.30% | 4.22% | 3.81% | 4.20% | 1.17%/1.04%/1.02% | 11.30.2011 |
| C Class (No Load) | 2.23% | 11.87% | 11.87% | 4.58% | 4.08% | 3.31% | 3.85% | 1.91%/1.80%/1.78% | 11.30.2011 |
| C Class (Load) | 1.23% | 10.87% | 10.87% | 4.58% | 4.08% | 4.08% | 3.85% | 1.91%/1.80%/1.78% | 11.30.2011 |
| P Class | 2.42% | 12.69% | 12.69% | 5.36% | 4.85% | — | 3.80% | 1.20%/1.04%/1.02% | 5.1.2015 |
| R6 Class | 2.48% | 13.05% | 13.05% | 5.64% | — | — | 4.66% | 0.80%/0.76%/0.74% | 3.13.2019 |
| Credit Suisse Leveraged Loan Index | 2.85% | 13.04% | 13.04% | 5.64% | 5.56% | 5.56% | 5.00%[6] | — | — |

***Performance displayed represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Current performance may be lower or higher than the performance data quoted. For up-to-date fund performance, including performance current to the most recent month end, please visit our website at GuggenheimInvestments.com.*** *Load performance reflects maximum sales charges or contingent deferred sales charges (CDSC) as applicable. A Class shares have a maximum sales charge of 3.00%. Effective 10.1.2015 the A Class maximum front-end sales charge was changed from 4.75% to 3.00%. For performance periods that begin prior to 10.1.2015, a 4.75% load was used and for performance periods that begin after 10.1.2015, a 3.00% load was used. C Class shares have a maximum CDSC of 1% for shares redeemed within 12 months of purchase.*

Unless otherwise noted, data is as of 12.31.2023. Data is subject to change on a daily basis. Partial year returns are cumulative, not annualized. Returns reflect the reinvestment of dividends. The referenced index is unmanaged and not available for direct investment. Index performance does not reflect transaction costs, fees, or expenses. Index data source: FundStation.

**3** S&P bond ratings are measured on a scale that ranges from AAA (highest) to D (lowest). Bonds rated BBB- and above are considered investment-grade while bonds rated BB+ and below are considered speculative grade. **4** The Net Expense Ratio reflects a contractual fee waiver by the Adviser through February 1, 2025, to limit the ordinary operating expenses of the fund. **5** The Adjusted Expense Ratio ("Adjusted") is based on the Net Expense Ratio, but excludes certain investment expenses, such as interest expense from borrowings and repurchase agreements and dividend expense from investments on short sales. **6** Inception date of benchmark return is that of the fund's oldest share class.

### Overall Morningstar Rating™

★★★★★ Institutional

Based on risk-adjusted returns out of 224 Bank Loan funds. As of 12.31.2023.[1]

### Symbols and CUSIP Numbers

| | Symbol | CUSIP |
|---|---|---|
| Institutional | GIFIX | 40168W715 |
| A Class | GIFAX | 40168W731 |
| C Class | GIFCX | 40168W723 |
| P Class | GIFPX | 40169J408 |

### SEC 30-Day Yield[2]

| | Subsidized | Unsubsidized |
|---|---|---|
| Institutional | 8.54% | 8.45% |
| A | 8.04% | 7.93% |
| C | 7.52% | 7.43% |
| P | 8.29% | 8.18% |

1 **Past performance is no guarantee of future results.** The Institutional Class was rated, based on its risk-adjusted returns, 5 stars for Overall, 5 stars for 3 years, 4 stars for 5 years, and 5 stars for 10 years among 224, 224, 215, and 177 Bank Loan funds, respectively. The Morningstar Rating for funds, or "star rating", is calculated for managed products with at least a three-year history and does not include the effect of sales charges. Exchange-traded funds and open-end mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. **2** As of 12.31.2023. SEC 30-day yield is a standard yield calculation that allows for fairer comparisons of bond funds. It reflects dividends and interest ("income") earned during the most recent 30-day period after the deduction of the fund's expenses and is calculated by dividing the income per share by the maximum offering share price on the last day of the period. Unsubsidized SEC 30-day yield is what the yield would have been had no fee waivers and/or expense reimbursement been in place.

## Market Review (Continued)

For the year, new issuance totaled $234 billion, with a record 58 percent from refinancing activity as M&A-driven issuance hit a post-financial-crisis low of $70 billion. Amend & extend activity, which is not included in new issue figures, was $80 billion for the year. In total, issuers reduced the near-term maturity wall by $189 billion this year, leaving $92 billion maturing by the end of 2025.

On the demand side, collateralized loan obligation (CLO) issuance was also light in December at $4.9 billion. For the year, issuance totaled $116 billion, which is down about 10 percent year over year, but still in-line with the ten-year average. On the retail side, funds saw a modest inflow in December, leaving the annual figure at -$17 billion, higher than last year's outflow but still outweighed by the CLO issuance figure. Given the lack of new dollar issuance, the total par outstanding declined about 1 percent this year, leaving the market in a positive technical position with demand outpacing supply.

## Performance Review

Guggenheim Floating Rate Strategies Fund Institutional share class returned 2.48 percent on a net basis for the quarter, compared with the Credit Suisse Leveraged Loan Index, which returned 2.85 percent.

For the quarter, credit selection in the Technology sector contributed to performance, offset by selection in the CCC ratings segment (primarily several idiosyncratic credit issues in the Communications and Consumer Cyclicals sectors). The fund's allocation to high yield bonds, which outperformed loans for the period, also contributed to performance.

For the full year period, credit selection in the Consumer Non-Cyclicals, Capital Goods, and Technology sectors, as well as in the CCC ratings segment, were the largest drivers of performance. An underweight to the BB ratings segment, a result of our bottom-up portfolio construction, also was a contributor as BBs underperformed lower ratings segments. Credit selection in the Consumer Cyclicals sector, an underweight to the Technology sector, and an underweight to the CCC ratings segment were mild detractors for the year.

The portfolio remains positioned up in quality. At the end of the quarter, the fund was underweight the CCC-and-below segment by approximately 380 basis points, and the distress ratio (loans trading below 80) was 1.2 percent for the portfolio versus 4.4 percent for the benchmark.

## Market Outlook

Loan discount margins (spreads) ended the year at 545 basis points (bps), down 20 bps on the month and 75 bps for the year. We remain cautious of where we are in the cycle. The default rate remains below the historical average, but we expect the pace of defaults to pick up as inflation and higher borrowing costs continue to weigh on corporate cash flows. As such, we view current loan credit spreads as closer to fair value and believe that credit selection remains pivotal.

We believe the fund is defensibly positioned given the up-in-quality nature of its underlying constituents versus the broader market. As such, we expect the fund will continue to avoid the worst-performing names in the benchmark and demonstrate lower defaults and losses versus the broader market. Additionally, an increase in defaults could drive spreads wider, which would widen the opportunity set to add selectively using our bottom-up approach.

Market Outlook continued on page 3.

### Sector Allocation
(% of Net Assets)

| | |
|---|---|
| Bank Loans | 92.6% |
| High Yield Corporate Bonds | 4.0% |
| Non-Agency Mortgage-Backed Securities | 0.9% |
| Investment Grade Corporate Bonds | 0.1% |
| Collateralized Loan Obligations | 0.1% |
| Equity | 0.0% |
| Net Short-Term Investments | 2.3% |
| Short-Term Investments[1] | 2.3% |
| Leverage/Reverse Repos | 0.0% |

### Portfolio Characteristics

| | |
|---|---|
| Weighted Average Time to Reset (days)[3] | 41 |
| Weighted Average Life (WAL) to Worst[4] | 2.2 |
| Number of Holdings | 305 |
| Average Price[5] | $96.1 |

1 Short-Term Investments may include uninvested cash, net unsettled trades, money market funds, commercial paper, repos, and other liquid short duration securities. 2 Weighted average time to reset is the amount of time required for the base interest rate (e.g., LIBOR) of all adjustable-rate securities in the portfolio to reset or adjust to a new base interest rate. 3 Weighted average life (WAL) to worst represents the weighted average number of years for which each dollar of unpaid principal on a fixed-income security remains outstanding. This calculation is made by making the worst-case scenario assumptions on the issue, assuming any prepayment, call, or sinking fund options are used by the issuer. 4 Average Price excludes zero coupon, interest only and principal only bonds, preferred securities not priced at 100 par, and other alternative sector buckets when applicable.

## Market Outlook—Continued

In terms of portfolio positioning, although focus has shifted slightly to the primary market, we continue to review both primary and secondary market opportunities, evaluate the risk of our existing positions, and look to use the market strength to opportunistically exit or trim some names we believe have traded up tight to fair value.

Sources: S&P LCD, CSLL.

**Basis point—**one basis point equals 0.01%.

**Index Definition:** The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market.

**Risk Considerations This fund may not be suitable for all investors.** • Investments in floating rate senior secured syndicated bank loans and other floating rate securities involve special types of risks, including credit rate risk, interest rate risk, liquidity risk and prepayment risk. •The fund's market value will change in response to interest rate changes and market conditions among other factors. In general, bond prices rise when interest rates fall and vice versa. • The fund's exposure to high yield securities may subject the fund to greater volatility. • When market conditions are deemed appropriate, the fund will leverage to the full extent permitted by its investment policies and restrictions and applicable law. Leveraging will exaggerate the effect on net asset value of any increase or decrease in the market value of the fund's portfolio. • The fund may invest in derivative instruments, which may be more volatile and less liquid, increasing the risk of loss when compared to traditional securities. Certain of the derivative instruments are also subject to the risks of counterparty default and adverse tax treatment. • Instruments and strategies (such as borrowing transactions and reverse repurchase agreements) may provide leveraged exposure to a particular investment, which will magnify any gains or losses on those investments. Investments in reverse repurchase agreements and synthetic instruments (such as synthetic collateralized debt obligations) expose the fund to the many of the same risks as investments in derivatives. • The fund's investments in other investment vehicles subject the fund to those risks and expenses affecting the investment vehicle. • The fund's investments in foreign securities carry additional risks when compared to U.S. securities, due to the impact of diplomatic, political or economic developments in the country in question (investments in emerging markets securities are generally subject to an even greater level of risks). • The fund's investments in real estate securities subject the fund to the same risks as direct investments in real estate, which is particularly sensitive to economic downturns. • The fund's investments in restricted securities may involve financial and liquidity risk. • The fund is subject to active trading risks that may increase volatility and impact its ability to achieve its investment objective. • You may have a gain or loss when you sell your shares. • It is important to note that the fund is not guaranteed by the U.S. government. • Please read the prospectus for more detailed information regarding these and other risks.

The referenced fund is offered in multiple share classes. Please read the prospectus for information on fees, expenses and holding periods that may apply to each class.



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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. Obtain a prospectus and summary prospectus (if available) at GuggenheimInvestments.com.***

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