

Quarterly Commentary—Q4 2023

Ultra Short Duration Fund

Mutual Fund | Fixed Income

Market Review

Faced with a series of strong economic data releases, the market has increasingly come to the conclusion that the economy is structurally better able to withstand higher interest rates than it really is. This dynamic can be seen by decomposing the move in Treasury yields, with the selloff almost entirely due to real yields rather than inflation expectations, with the move most pronounced at the back end of the yield curve. Digging further, however, a large portion of this shift is due to a rising term premium, indicating greater uncertainty about the outlook.

Many forecasters are extrapolating this year’s economic strength without recognizing growth has benefited from a number of factors this year that are unlikely to be repeated, namely a huge expansion of the fiscal deficit, a major slowdown in inflation, and a rebound in labor supply. As these factors fade, the headwinds from tight monetary policy will be more apparent—headwinds that will only grow in strength. And the longer monetary conditions stay tight, the greater the risk of something breaking (banks and commercial real estate remain key risks). All this means that the recent economic trajectory cannot be assumed to continue, especially given the substantial restraint that will be imposed by the recent rise in long-term borrowing costs.

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Average Annual Total Returns As of 12.31.2023

	3-Month	YTD	1-Year	3-Year	5-Year	Since Fund Inception	Expense Ratio Gross/Net ² /Adjusted ³	Fund Inception Date
Institutional	2.55%	7.77%	7.77%	2.43%	2.30%	1.83%	0.39%/0.34%/0.33%	3.11.2014
A Class	2.48%	7.50%	7.50%	2.17%	2.04%	2.00%	0.68%/0.59%/0.58%	11.30.2018
Bloomberg 1-3 Month U.S. Treasury Bill Index	1.38%	5.14%	5.14%	2.21%	1.87%	1.25% ⁴	—	—

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. Under certain circumstances, there may be a CDSC of 1% for redemptions within 12 months of purchase.

The Guggenheim Ultra Short Duration Fund (the “Fund”) is newly organized. On 11.30.2018, the Guggenheim Strategy Fund I (the “Predecessor Fund”), which also was an investment company registered under the Investment Company Act of 1940, reorganized with and into the Fund, which has adopted the Predecessor Fund’s performance history. Accordingly, the performance information shown below for Institutional Class shares of the Fund reflects the performance of the Predecessor Fund and not of the fund, however the Predecessor Fund’s policies, guidelines and investment objectives were the same as the Fund’s in all material respects. The returns shown for the Predecessor Fund have been restated to reflect the fees and expenses applicable to the Institutional Class shares of the Fund, exclusive of any applicable expense limitation agreement.

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.

² 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. ³ 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. ⁴ Inception date of benchmark return is that of the fund’s oldest share class.

Symbols and CUSIP Numbers

	Symbol	CUSIP
Institutional	GIYIX	40169J523
A	GIYAX	40169J549

There is no up-front sales charge, no redemption fee, and no minimum holding period. No contingent deferred sales charge is imposed on redemptions of Class A shares of the Fund unless you acquire Class A shares of the Fund by exchanging Class A shares of another fund in the Guggenheim family of funds that was subject to a contingent deferred sales charge.

SEC 30-Day Yield¹

	Subsidized	Unsubsidized
Institutional	5.20%	5.19%
A	4.95%	4.92%

¹ 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)

Uncertainty is elevated, and rightfully so given the diverging signals in the data and many traditional economic models not “working” as they should. This uncertainty extends to the Federal Reserve (Fed), which looks set to hold off on further rate hikes while it waits to see if the data start to align better with softening conditions policymakers say they are hearing on the ground. We continue to think the gravitational pull of tight money and credit conditions will result in a slowing economy and cooler inflation over the next year, paving the way for more rate cuts than the market expects.

Summary:

- Faced with a series of strong economic data releases, the market has increasingly come to the conclusion that the economy is structurally better able to withstand higher interest rates than it really is.
- This dynamic can be seen by decomposing the move in Treasury yields, with the selloff almost entirely due to real yields rather than inflation expectations, with the move most pronounced at the back end of the yield curve.
- A large portion of this shift is due to a rising term premium, indicating greater uncertainty about the outlook.
- The magnitude of the move in the market is overdone, and it is a mistake to think strong economic data will continue and that the impact of monetary tightening is behind us.
- We continue to think the gravitational pull of tight money and credit conditions will result in a slowing economy and cooler inflation over the next year, paving the way for more rate cuts than the market expects.

Performance Review

The fund finished the fourth quarter up +2.55 percent, outperforming its Benchmark, the ICE Bank of America US Treasury Bill Index, by +1.17 percent. This brought the Fund’s year-to-date performance to +7.77 percent, outperforming the Benchmark by +2.63 percent.

Duration positioning contributed +0.60 percent to absolute and relative performance as the US Treasury curve rallied dramatically with 2-year Treasury yields falling by 79 bps. The fund increased duration positioning into the rate back-up early in the quarter, ultimately benefiting from the rally by the end of the period. Carry, or earned income, remained a consistent source of absolute and relative performance for the fund, adding approximately +1.70 percent and +0.40 percent, respectively. Credit spreads moves contributed +0.30 percent and +0.25 percent to absolute and relative performance, respectively.

Strategy and Positioning

Over the past several quarters the fund has prioritized diversification, quality, and liquidity as recession risks remain elevated. To that end, the fund has steadily rotated positioning up-in-quality and more defensively, uniquely, without having to materially sacrifice yield due to the flatness of the yield curve and relatively limited spread premiums for quality. While spreads for many credit sectors reverted to long term average levels, certain segments remain dislocated and offer attractive relative and absolute value. Structured credit is acutely cheap, particularly when compared to broader fixed income spread sectors. The basis between structured credit spreads and investment grade corporate spreads currently sits wide of the 90th percentile of historically observed data.

Commentary continued on page 3.

Sector Allocation (% of Net Assets)

Collateralized Loan Obligations	22.8%
Investment Grade Corporate Bonds	21.0%
Non-Agency Mortgage-Backed Securities	16.1%
Asset-Backed Securities	14.3%
Non-Agency Commercial Mortgage-Backed Securities	4.9%
High Yield Corporate Bonds	1.4%
Net Short-Term Investments	18.7%
Short-Term Investments ¹	18.7%
Leverage/Reverse Repos	0.0%

PORTFOLIO CHARACTERISTICS

Weighted Average Life (WAL) to Worst ²	1.8 years
Effective Duration ³	0.8 years
Number of Holdings	185
Average Price ⁴	\$96.4

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 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. ³ Weighted average effective duration of the securities comprising the fund portfolio or the index. Effective duration takes into account any embedded options (i.e., a put or a call) and reflects the expected change in future cash flows caused by the options in response to changing interest rates.

⁴ Average Price excludes zero coupon, interest only and principal only bonds, preferred securities not priced.

Strategy and Positioning—Continued

Structured credit remains the fund's largest allocation, representing roughly 57 percent of holdings. Spreads continued their rebound for the year, but broadly remain wide, both compared to similarly rated investment grade corporate credit and in absolute. Furthermore, the lower dollar prices of these assets following the rise in interest rates sets up the potential for higher total return opportunities than typically exists in the asset class. With much of the sector's active buying base coming from income-focused accounts, structured credit spreads should continue to compress from the resetting higher of yields and the resulting increased interest that comes with it. Within securitized credit, we continue to focus on opportunities senior in the capital structure with sufficient credit enhancement and often unique structural features that limit cash flow variability or extension risks. We believe the focus on superior structures is paramount to mitigate mark-to-market risks that could emerge should volatility rise.

Corporate credit represents roughly 22 percent of the fund's holdings. Investment grade rated credit makes up 21 percent of the allocation while 1 percent is below investment grade rated. While in our view, index-level corporate credit spreads are trading around fair value level, there remain many idiosyncratic opportunities and risks across certain issuers and industries given tighter credit conditions across capital markets this year. We expect increased bifurcation within credit markets in future quarters and have positioned the fund accordingly. Primary market offerings priced at especially attractive levels as investors

pulled back from lending activities this year, presenting a unique opportunity for the Fund to capture risk premiums.

Given dramatic intra-quarter shifts in market pricing of the path of monetary policy, we actively adjusted duration positioning, at first taking up duration to the high end of the fund's longer-term positioning, and subsequently reduced the duration overweight later in the quarter as yields ultimately settled back towards the levels where they started the year.

As we reflect on the past couple years, it is safe to conclude that we have come through a period of unprecedented volatility.

Drawdowns for the fixed income asset class over the past couple of years now may prove a very attractive entry point for longer-term investors as the end of the Fed's has signaled a pause in its rate hike campaign. Fixed income generally performs well during pause phases of the monetary policy cycle and potential rate cuts may add further tailwinds for the sector. The heightened probability of a recession over the next 6-12 months as indicated by traditional models continues to support defensive and conservative positioning within the fund, which is prioritizing quality (which takes multiple forms including industry market leaders, more conservatively positioned balance sheets, and stronger creditor protections). Though the recent rally in interest rates and tightening of credit spreads have likely pulled forward some of the future total return potential of parts of fixed income, we still view the go-forward valuation proposition of fixed income as historically attractive at current levels.

Bps—basis points: One basis point is equal to 0.01%. **Carry:** The difference between the cost of financing an asset and the interest received on that asset.

Risk Considerations This Guggenheim Ultra Short Duration Fund may not be suitable for all investors. Investments in fixed-income instruments are subject to the possibility that interest rates could rise, causing the value of the Fund's holdings and share price to decline. • Investors in asset-backed securities, including collateralized loan obligations ("CLOs"), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. • High yield an unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase 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 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). • Investments in syndicated bank loans generally offer a floating interest rate and involve special types of risks. • The fund's investments in municipal securities can be affected by events that affect the municipal bond market. • 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. • 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.

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Index Definition Bloomberg 1-3 Month U.S. Treasury Index measures the U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with maturities of one to three months. 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](https://www.guggenheiminvestments.com).

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