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High-Yield and Bank Loan Outlook

2023 Credit Outlook and Lessons Learned from a Tough Year

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Summary

While presenting our credit outlook for 2023, this report also revisits our 2022 expectations for leveraged credit (high-yield corporate bonds, bank loans), published in prior High-Yield and Bank Loan Outlooks, and compares them to what transpired. For example, we expected that U.S. corporate earnings growth would be strong, defaults would remain low, spreads would remain tight, and rates would be the total return wildcard. We also argued that bank loans presented a better return profile than high-yield corporate bonds given their limited duration risk, even if both sectors represented attractive opportunities in a benign credit environment. Four out of five of those expectations were accurate with the exception of credit spreads, which widened throughout the year. We also underestimated the backup in interest rates that weighed on fixed-rate total returns, so that call was only half right.

As we look out to the next 12 months, we believe many of the market characteristics of 2022 will flip in 2023: The high-yield corporate bond market could outperform bank loans given the sector's better credit profile and if, as we expect, rate duration cushions performance in a recession. As the economic data deteriorate further, we expect a decline in corporate earnings, more negative rating migration, and an increase in default activity. We are also more cautiously positioned given the Federal Reserve's (Fed) ongoing fight to ensure inflation comes down and stays down, and its apparent willingness to topple the economy into a recession to succeed.

Highlights from the Report

- High-yield bond and bank loan sectors delivered positive total returns of 4.0 percent and 2.3 percent, respectively, in the fourth quarter of 2022, with bond performance boosted by a decline in Treasury yields.
- Strong corporate earnings growth drove a decline in leverage ratios to below pre-COVID levels and supported high interest coverage despite the increase in borrowing costs. Potentially heading into a downturn this year, we believe borrowers have healthier balance sheets than they did going into the pandemic.
- Between the two sectors we prefer high-yield corporate bonds over bank loans this year from a total return perspective for reasons cited in our summary and at the end of this report. For both sectors, however, we remain cautious and focused on finding value in higher quality structures and issuers.

Leveraged Credit Scorecard
As of 12.31.2022

High-Yield Bonds

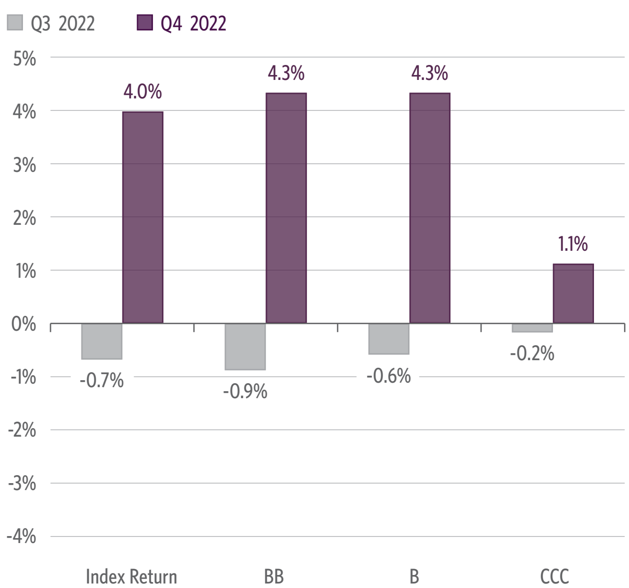
	December 2021		October 2022		November 2022		December 2022	
	Spread	Yield	Spread	Yield	Spread	Yield	Spread	Yield
ICE BofA High-Yield Index	330	4.3%	476	9.1%	468	8.6%	491	9.0%
BB	231	3.4%	306	7.3%	312	7.0%	320	7.3%
B	376	4.7%	503	9.3%	496	8.9%	526	9.3%
CCC	690	7.8%	1,193	16.3%	1,121	15.4%	1,159	15.9%

Bank Loans

	December 2021		October 2022		November 2022		December 2022	
	DMM*	Price	DMM*	Price	DMM*	Price	DMM*	Price
Credit Suisse Leveraged Loan Index	439	98.39	655	91.78	636	92.15	652	91.89
BB	307	99.42	378	97.08	359	97.59	363	97.64
B	444	99.15	705	91.83	674	92.62	691	92.25
CCC/Split CCC	945	90.61	1,476	77.57	1,527	76.47	1,605	74.35

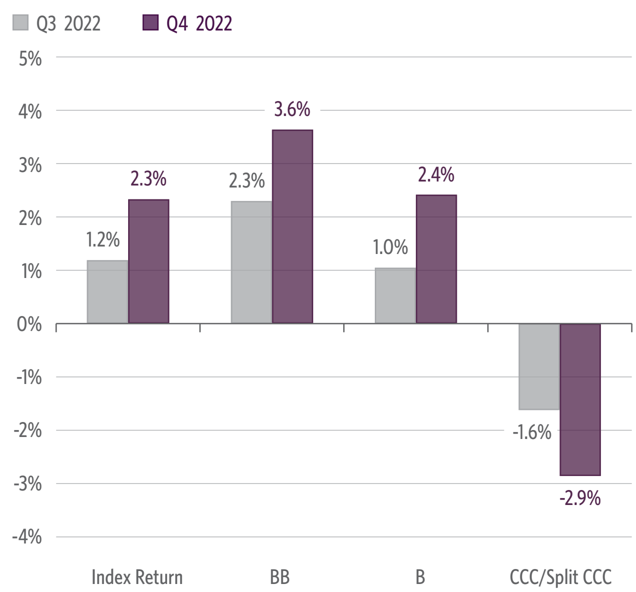
Source: ICE BofA, Credit Suisse. *Discount Margin to Maturity assumes three-year average life. Past performance does not guarantee future results.

ICE BofA High-Yield Index Returns



Source: ICE BofA. Data as of 12.31.2022. Past performance does not guarantee future results.

Credit Suisse Leveraged Loan Index Returns



Source: Credit Suisse. Data as of 12.31.2022. Past performance does not guarantee future results.

> “We believe now is an opportune time to move up in quality ahead of any recession-driven market volatility in the coming months.

Macroeconomic Overview

The Fed May Push Against Market Rallies

Recent Consumer Price Index (CPI) reports finally showed a cool down in month-over-month price increases, offering some evidence that the Fed’s efforts to tighten policy and get inflation under control are starting to work. Headline CPI slowed from an 11 percent annualized three-month growth rate in June to 1.8 percent by December. The three-month annualized change in the core CPI softened from a recent peak of 7.9 percent to 3.1 percent, and trimmed measures of inflation (measures that remove the highest and lowest outliers) have also declined. While these levels are still above the Fed’s 2 percent core inflation target, it is encouraging to see them moving in the right direction.

The inflation categories that remain high are mostly in services, as the December CPI report showed that core goods prices are down 1.2 percent over the last three months, led by a 7.7 percent drop in used car prices. More declines in goods prices are likely as supply chains rapidly improve and retailers step up their efforts to clear an inventory overhang through deeper discounting. Housing and broader services inflation measures, however, remain well above pre-COVID levels. Housing inflation will take time to come down in the official statistics due to the lagging nature of lease renewals, but more timely indicators show inflation for new rentals is falling fast. The Fed has now become more concerned about core services inflation excluding housing, and the impact that a tight labor market and high wage growth could have on this category.

Despite the stickiness in some inflation categories, a broad market rally ensued in the fourth quarter, driven by the view that the end of this tightening cycle is drawing nearer. High-yield credit spreads tightened by 90 basis points, the 7.3 percent rally in the S&P 500 boosted the forward price-to-earnings ratio from 16x to 17.6x, 10-year Treasury yields fell 25 basis points, and the U.S. dollar index, a measure of the U.S. dollar’s value against six major currencies, weakened by 6.6 percent. Indicators such as these—changes in credit spreads, p/e ratios, and Treasury yields—feed different financial conditions indexes that the Fed tracks, and they have eased a considerable amount. Easing financial conditions are associated with a reflationary backdrop and would work against the Fed’s current efforts. In fact, during the December Federal Open Market Committee (FOMC) press conference, Fed Chair Jerome Powell explained that their “policy actions work through financial conditions. And those, in turn, affect economic activity, the labor market, and inflation.” During the fourth quarter, the Goldman Sachs U.S. Financial Conditions Index, one such measure, had returned to where it was in the middle of June, at which point the Fed had raised the fed funds target rate to just 1.50–1.75 percent. Given that the fed funds target rate now stands at 4.25–4.50 percent, this level would suggest that months of aggressive tightening by the Fed hadn’t tightened financial conditions at all.

A similar rally materialized in July and August following hopeful inflation reports, before a chorus of Fed voices warned markets not to underestimate the terminal rate that would ultimately be needed to contain inflation. Much rested on the tone of the December FOMC meeting and the updated Summary of Economic Projections (SEP), the latter of which provides the committee's median forecasts for a variety of data including the unemployment rate, inflation, and the fed funds rate. The Fed's decision to raise rates by 50 basis points to 4.25–4.50 percent was already expected, so markets were primarily concerned about the Fed's take on the recent soft inflation readings and outlook for 2023.

The December SEP confirmed that the FOMC is far from convinced that inflation is heading back to target, and as result expects more tightening will be needed to achieve its inflation target. The median 2023 forecasts for U.S. real gross domestic product growth fell to 0.5 percent, the fed funds rate increased to 5.1 percent, and the unemployment rate increased to 4.6 percent. However, the FOMC's projection for the year-over-year increase in the core personal consumption expenditures price index—its preferred inflation measure—increased to 3.5 percent by year-end. Taken together, these projections suggest that even with a higher terminal rate, weaker growth, and a higher unemployment rate, the Fed expects to be further away from its inflation goal in 2023 than it did a few months ago.

Markets also seemed to ignore Powell's press conference declaration that over time, financial conditions should reflect the policy restraint the Fed is putting in place. If a market rally continues in the first quarter of 2023, we believe the Fed will feel forced to lean against it with hawkish communication or potentially more rate hikes than are currently priced in. In credit, we worry about the downside risk that narrow risk premiums carry for both short-term performance and credit loss-adjusted excess

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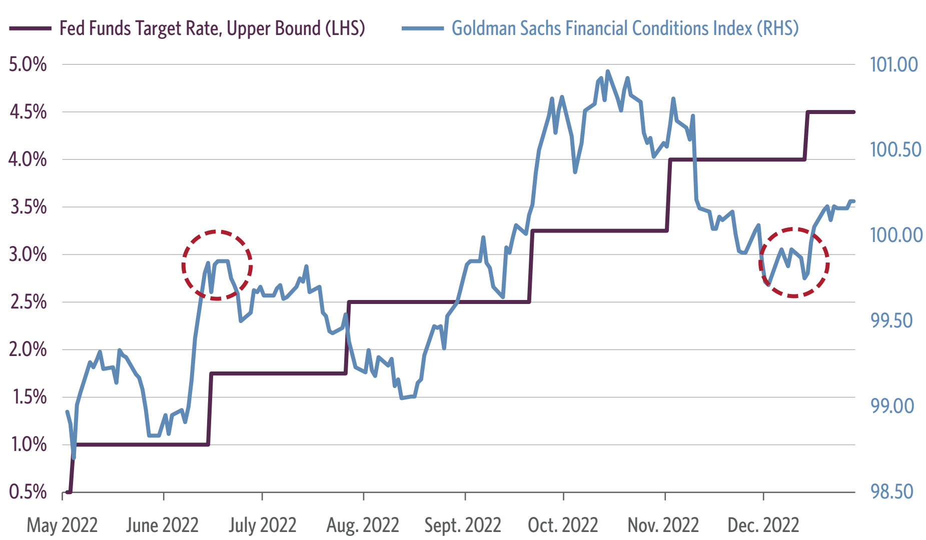
Easing Financial Conditions May Reverse Months of Monetary Policy Tightening



Source: Guggenheim Investments, Bloomberg. Data as of 12.28.2022.

returns. Further, the recent market rally suggests that investors are embracing an increasing probability that the United States might avoid recession. This view would contradict the implication suggested by the FOMC's latest median projections for a 1.1 percentage point increase in the unemployment rate from the recent trough, an increase that historically has always coincided with recession.

We believe the unemployment rate could increase to as high as 6 percent, higher than the FOMC's median projection, as Fed efforts to slow the already weak economy end up overshooting. This would trigger a more serious recession than the consensus expects and likely bring about another decline in risk assets. **Given this outlook, we believe now is an opportune time to move up in quality ahead of any recession-driven market volatility in the coming months.**

Reflecting on a Tumultuous Year

The high-yield corporate bond and bank loan sectors delivered positive total returns of 4.0 percent and 2.3 percent, respectively, in the fourth quarter of 2022, with bond performance boosted by a decline in Treasury yields. The return of credit risk appetite drove high-yield corporate bond spreads 59 basis points tighter and leveraged loan discount margins 16 basis points tighter during the quarter. Investors exercised cautious optimism as higher quality outperformed lower quality credit, with returns of 4.3 percent in BB-rated and B-rated bonds each, outperforming returns of just 1.1 percent in CCC-rated bonds. Similarly, BB-rated and B-rated loans returned 3.6 percent and 2.4 percent, respectively, versus a loss of 2.9 percent in CCC-rated loans.

Reflecting on a tumultuous year, we revisited our expectations for leveraged credit, published in prior High-Yield and Bank Loan Outlooks, and compared them to what transpired. In our first quarter 2022 High-Yield and Bank Loan Outlook, we discussed average credit market performance during previous Fed tightening cycles dating back to the 1990s in anticipation of the one about to begin. Some observations we made were that economic growth and corporate profit growth are typically strong as the Fed raises interest rates. This backdrop kept default activity low, credit spreads tight, and generated positive returns in leveraged credit. But during the current Fed tightening cycle to date, only half of those historical observations have been realized.

Strong corporate earnings growth was an expectation we set for 2022 given our analysis of history and our economic outlook. Year-over-year growth in aggregate earnings before interest, taxes, depreciation, and amortization (EBITDA) for a universe of over 400 leveraged credit issuers was 50 percent as of the third quarter of 2022 and expected to end 2022 up 25 percent year over year. This strength drove a decline in leverage ratios to below pre-COVID levels and supported high interest coverage despite the increase in borrowing costs. Potentially heading into a downturn this year, we believe borrowers have healthier balance sheets than they did going into the pandemic.

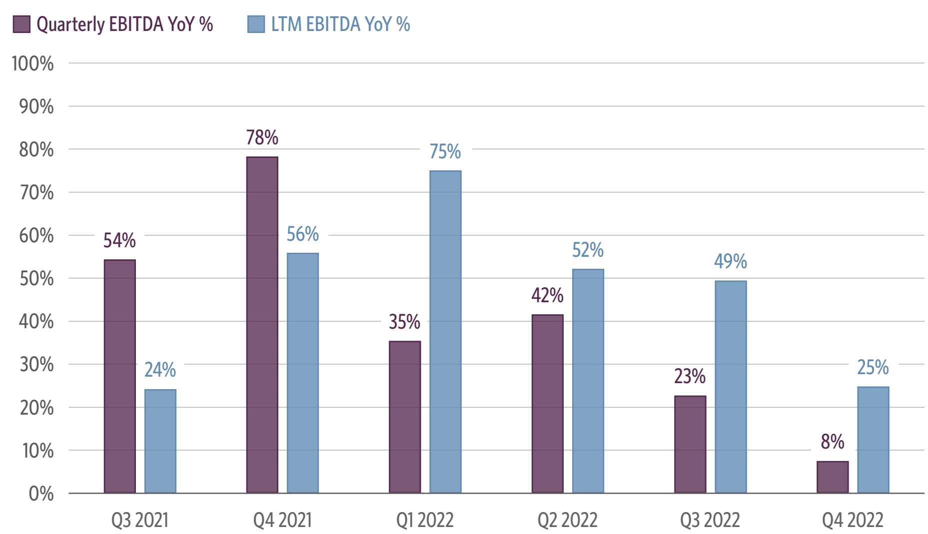
We expected low default activity in 2022 given the fundamental trends we noted and as a benign credit backdrop was common during past tightening cycles. In 2022, just 17 companies defaulted, totaling $26 billion in bonds and loans. The U.S. high-yield bond and loan default rates were 1.0 percent and 0.7 percent, respectively, well below the average historical default rate for bonds and bank loans of 4.0 percent and 3.5 percent.

Given that default activity has typically been low during previous Fed tightening cycles, we also expected that credit spreads would remain tight while the Fed was raising interest rates. We have been wrong on this call thus far into the tightening cycle. High-yield credit spreads were just 360 basis points in March 2022. They ended the year at 491 basis points, widening to as much as 599 basis points during the year. Bank loan discount margins experienced a similar rollercoaster ride: Three-year discount margins stood at just 450 basis points in March 2022, widened to 674 basis points during the year and ended 2022 at 652 basis points. In retrospect, credit spreads were too tight earlier in the year given elevated uncertainty around inflation risks. That high uncertainty led to substantial rate volatility, and aggressive rate hikes brought about a tightening in financial conditions that resembled the start of previous recessions. As we discussed in the previous section, some of this reversed in the fourth quarter.

Finally, we noted that a big wildcard for high-yield corporates in 2022 would be duration risk, and that therefore the return profile looked more attractive in bank loans given their negligible rate exposure. This view was spot on, but like many market participants, we underestimated the drag that a rise in interest rates would have on fixed-rate bond performance. For the full calendar year, high-yield bonds

Year-over-year growth in aggregate EBITDA for a universe of over 400 leveraged credit issuers was 50 percent as of the third quarter of 2022 and expected to end 2022 up 25 percent year over year. This strength drove a decline in leverage ratios to below pre-COVID levels and supported high interest coverage despite the increase in borrowing costs.

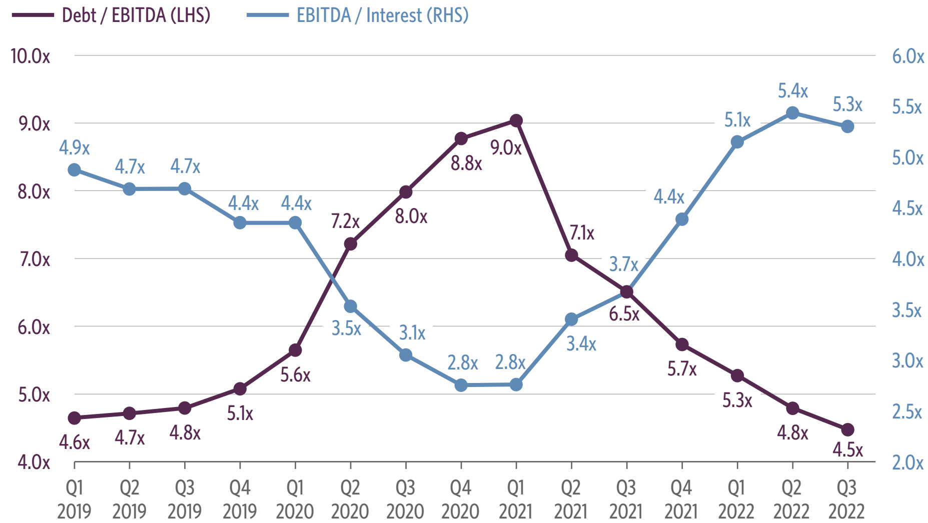
High-Yield Corporate Earnings Growth Was Strong in 2022



Source: Guggenheim Investments, S&P Capital IQ. Data as of Q3 2022; Q4 expectations as of 12.31.2022. EBITDA = earnings before interest, tax, depreciation, and amortization, which is a conventional way in which to proxy cash flow in the leveraged credit market.

Strong earnings growth drove a decline in leverage ratios to below pre-COVID levels and supported high interest coverage despite the increase in borrowing costs. Potentially heading into a downturn this year, we believe borrowers have healthier balance sheets than they did going into the pandemic.

Strong Earnings Growth Drove Deleveraging Among High-Yield Issuers



Source: Guggenheim Investments, S&P Capital IQ. Data as of Q3 2022. EBITDA = earnings before interest, tax, depreciation, and amortization, which is a conventional way in which to proxy cash flow in the leveraged credit market.

fell 11 percent, with an 8 percent drag from duration and 3 percent attributed to spread widening. Thanks to their shorter duration, bank loans outperformed high-yield credit and were one of the best performing sectors in U.S. fixed-income with a loss of just 1.1 percent.

2023 Outlook and Investment Implications

For regular readers of our High-Yield and Bank Loan Outlooks, Guggenheim's 2023 credit outlook will sound familiar as we have been discussing many of these themes throughout the last 12 months. Much rests on the view that a U.S. recession is on the horizon as the Fed pushes forward with policy tightening to get inflation under control. Recession severity and length will be important drivers of credit returns and spreads, but no matter the profile of a recession, the emergence of one requires a more defensive posture in our client portfolios.

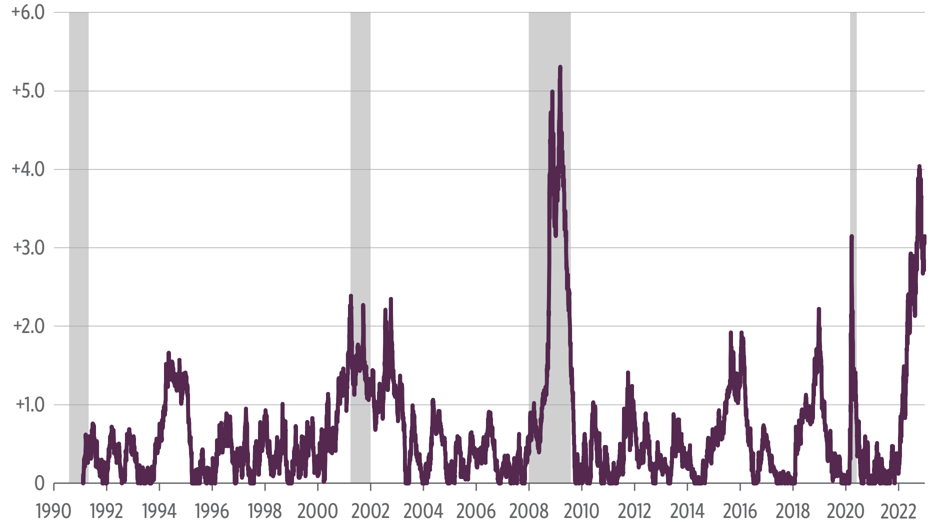
We are more pessimistic in our expectations for corporate earnings growth than the Wall Street consensus. Street analyst median forecasts show EBITDA growth expectations for leveraged credit issuers is 6 percent in 2023 and 10 percent in 2024, despite previous recessions seeing an average 20 percent decline. Our view is no growth for 2023 as an optimistic outcome, 10 percent decline as the base case, and 25 percent decline as the bear case. All of these scenarios are likely to see leverage ratios tick higher and interest coverage fall.

Our recent reports noted that a negative rating-migration trend had begun in June 2022. We expect more downgrades and the disappearance of "rising star" opportunities as rating agencies hesitate to upgrade high-yield companies to

Recession severity and length will be important drivers of credit returns and spreads, but no matter the profile of a recession, the emergence of one requires a more defensive posture in our client portfolios.

The Change in Financial Conditions Resembles a Recession Backdrop

Goldman Sachs Financial Conditions Index, Rolling 2Y Max Increase



Source: Guggenheim Investments, Bloomberg. Data as of 12.31.2022

investment-grade status while corporate earnings weaken. This year will likely be a year of avoiding problem names that run into acute financing needs in an environment where few are lending. But opportunities will arise as credit gets cheaper from an investor perspective.

Along with more negative credit rating migration, we expect the default rate will rise from about 1.0 percent in 2022 to 3.5 percent in 2023. The balance of risk to this view is likely toward a more negative outcome, given the likelihood that the Fed will drag their feet to cut rates, keeping policy restrictive for longer than the market currently expects. Our last High-Yield and Bank Loan Outlook discussed the default outlook expectations in detail, and we continue to hold the same views shared in that report.

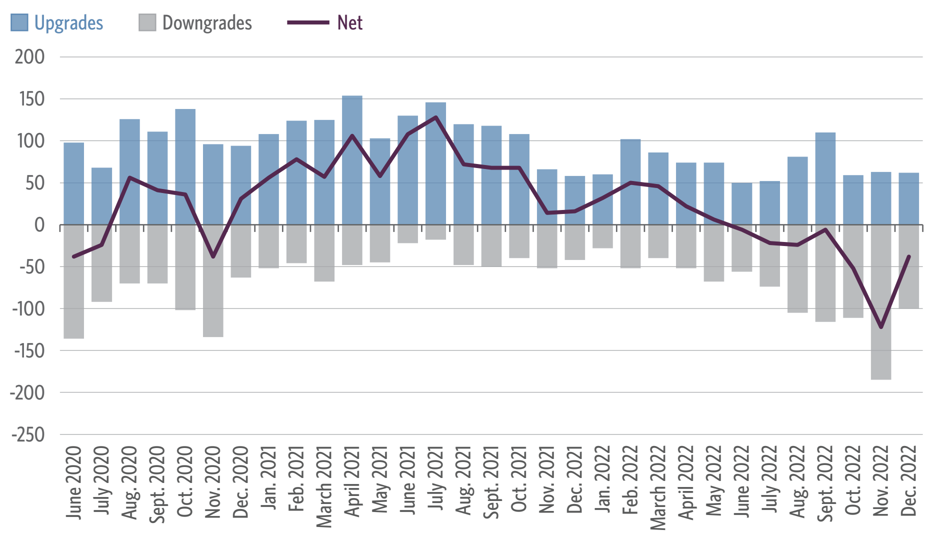
Some of the themes we see repeating in our bottom-up credit review process as we grow increasingly defensive is a preference for conservative leverage, cash flow stability through a full cycle (one that includes a recession), debt seniority, and healthy interest coverage. We stress test for the credit's survival in a highly adverse environment and will not shy away from borrowers in cyclical industries if our stress test reveals a high probability of payback. In practice, industry overweights and underweights relative to our benchmarks are often the result of this bottom-up credit review process. Disapproval of a single name because we are not comfortable with the credit fundamentals can result in our portfolios being underweight that industry if the issuer represents a meaningful concentration, for example. This may not mean a negative outlook for the industry, but rather a negative view on the leveraged competitors in that space, or a negative view relative to other credit opportunities.

A couple of sectors where we have taken a more cautious stance as a result of our process are healthcare services and technology. Healthcare service is historically viewed as acyclical, but the impact of a pandemic followed by an inflationary environment has inflicted unique pain on certain borrowers that have left them in a much-weakened position. The space faces structural staffing issues following stressful working conditions over the past three years, which has limited revenue growth while forcing those companies to increase wages to address the labor shortage. At the same time, healthcare services companies are limited in their ability to pass through costs given the legislative process by which pricing and reimbursement rates are set, which happen annually. So, the sector has seen severe margin compression that challenges their ability to service debt.

We expect more downgrades and the disappearance of "rising star" opportunities as rating agencies hesitate to upgrade high-yield companies to investment-grade status while corporate earnings weaken. This year will likely be a year of avoiding problem names that run into acute financing needs in an environment where few are lending.

Negative Rating Migration Accelerated as Financial Conditions Tightened

S&P Global Long-Term Rating Changes for U.S. High-Yield Companies



Source: Guggenheim Investments, Bloomberg, S&P Global Ratings. Data as of 12.19.2022

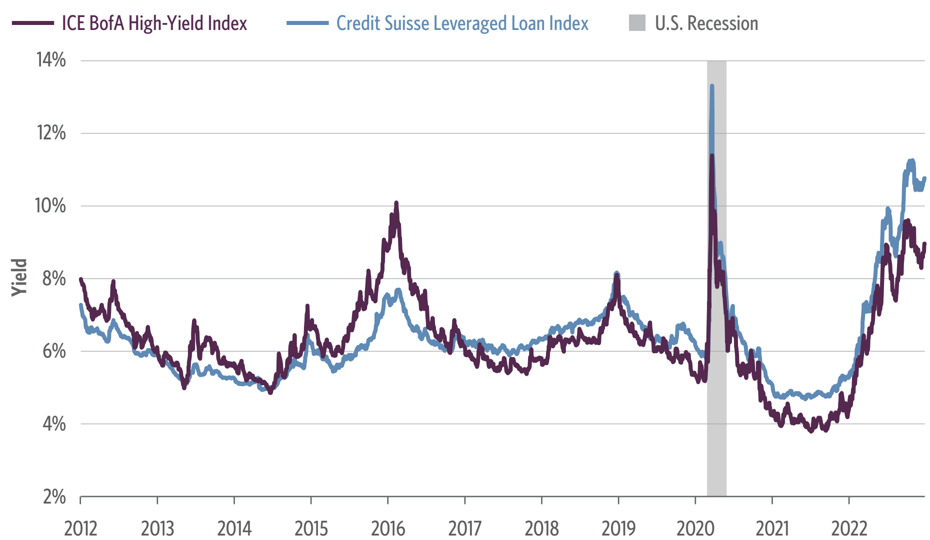
The technology sector grew dramatically during the low-rate environment that prevailed following the 2008 global financial crisis, both in the public and private space. In this highly sought sector by private equity investors and private debt lenders, we typically see lofty valuations and high leverage in technology, which implies that lenders must be confident about the business's ability to grow into its price tag and capital structure just to earn the promised bond returns. Within debt, the opportunities in this sector often present equity-like risk with fixed-income upside, which is a subpar risk-reward profile. Furthermore, we think the leveraged credit technology industry in its current form, which relied on fed funds at the zero lower bound for most of the time since 2010, has yet to be tested. Given limited upside with high uncertainty around the downside, our bottom-up credit selections have resulted in an underweight to tech in loans.

Taking a step back to sector total return expectations, we had correctly predicted that bank loans presented a better return profile than high-yield corporates in 2022, but we expect the opposite will be true in 2023. Loans face greater technical headwinds driven by falling demand from collateralized loan obligations due to the market's deteriorating credit profile coupled with waning demand for floating rate assets from other investors. In an adverse environment, we believe that leveraged loan discount margins could widen to 900–950 basis points, which is 250–300 basis points wider than current levels. We see similar downside for high-yield corporate bonds, with spreads peaking around 750 basis points which is about 300 basis points wider than current levels. However, longer-duration fixed-rate bonds would also benefit from a rate-rally in Treasuries that typically happens in recessions. Bank loans would not have the same benefit. Therefore we expect fixed-rate high-yield corporate bonds to outperform bank loans in 2023.

While both sectors have similar downside profiles in credit spreads from our view, an interesting observation is that on a percentile basis, bank loans appear cheaper than high-yield corporates. High-yield corporate bond spreads are near the 50th percentile of historical observations dating back to the late 1990s, meaning that half the time historically, spreads have been wider. Bank loan discount margins are in the 86th percentile, so only 14 percent of the time they have traded at wider risk premiums. Our takeaway from this is that if bank loan spreads widen to our expected levels, they are not likely to persist there for long, making it a short-lived drawdown for loans. Timing is incredibly difficult to predict, however, as it depends on a lot of variables. But when we approach our downside levels, the percentile measures inform our confidence about the long-term value of each sector.

We believe investors will find value in leveraged credit sectors relative to other parts of the broader fixed-income universe as they have historically provided higher yields, attractive diversification to other sectors, as well as heterogenous credit exposure.

Finding Value in Attractive Leveraged Credit Yields



Source: Guggenheim Investments, Bloomberg, Credit Suisse, ICE Index Services. Data as of 1.10.2023.

After much discussion about the headwinds that leveraged credit investors face in 2023, we wrap up with our view on why investors can still find value in the sector. In short: leveraged credit yields are near the most attractive levels in the last decade, and we think there is sufficient compensation for long-term credit risk given corporate fundamentals and a credit selection process tasked with avoiding default situations. High-yield corporate bond yields are about 8–8.5 percent, and loans are yielding about 10 percent. These are higher yields than investors could have captured 90 percent of the time since 2012. Yields may rise further later in 2023 if spreads widen, but over the long-term, we expect to see lower rates once inflation is under control. This is a great opportunity for the bottom-up credit process to potentially generate significant value.

In conclusion, we believe investors will find value in leveraged credit sectors relative to other parts of the broader fixed-income universe as they have historically provided higher yields yields, attractive diversification to other sectors, as well as heterogenous credit exposure.

Between the two sectors we prefer high yield over bank loans this year from a total return perspective for reasons cited above. For both sectors, however, we remain cautious and focused on finding value in higher quality structures and issuers.

INDEX AND OTHER DEFINITIONS

The referenced indices are unmanaged and not available for direct investment. Index performance does not reflect transaction costs, fees or expenses.

The **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/ BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

The **ICE BofA U.S. High-Yield Index** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $250 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden.

A **basis point (bps)** is a unit of measure used to describe the percentage change in the value or rate of an instrument. One basis point is equivalent to 0.01%.

The three-year **discount margin to maturity (DMM)**, also referred to as discount margin, is the yield-to-refunding of a loan facility less the current three-month Libor rate, assuming a three year average life for the loan.

Spread is the difference in yield to a Treasury bond of comparable maturity.

RISK CONSIDERATIONS

Fixed-income investments are subject to credit, liquidity, interest rate and, depending on the instrument, counter-party risk. These risks may be increased to the extent fixed-income investments are concentrated in any one issuer, industry, region or country. The market value of fixed-income investments generally will fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry. Fixed-income investments are subject to the possibility that interest rates could rise, causing their values to decline.

Bank loans are generally below investment grade and may become nonperforming or impaired for a variety of reasons. Nonperforming or impaired loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate and/or a substantial write down of the principal of the loan. In addition, certain bank loans are highly customized and, thus, may not be purchased or sold as easily as publicly-traded securities. Any secondary trading market also may be limited, and there can be no assurance that an adequate degree of liquidity will be maintained. The transferability of certain bank loans may be restricted. Risks associated with bank loans include the fact that prepayments may generally occur at any time without premium or penalty. High-yield debt securities have greater credit and liquidity risk than investment grade obligations.

High-yield debt securities are generally unsecured and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high-yield debt securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions, or both, may impair the ability of the issuer thereof to make payments of principal or interest. Securities rated below investment grade are commonly referred to as "junk bonds." Risks of high-yield debt securities may include (among others): (i) limited liquidity and secondary market support, (ii) substantial market place volatility resulting from changes in prevailing interest rates, (iii) the possibility that earnings of the high-yield debt security issuer may be insufficient to meet its debt service, and (iv) the declining creditworthiness and potential for insolvency of the issuer of such high-yield debt securities during periods of rising interest rates and/ or economic downturn. An economic downturn or an increase in interest rates could severely disrupt the market for high-yield debt securities and adversely affect the value of outstanding high-yield debt securities and the ability of the issuers thereof to repay principal and interest. Issuers of high-yield debt securities may be highly leveraged and may not have available to them more traditional methods of financing.

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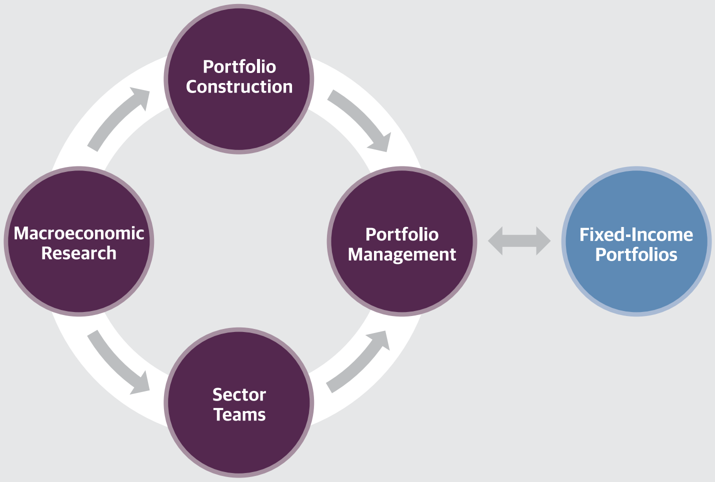
1. Guggenheim Investments assets under management are as of 12.31.2022 and include leverage of $15.2bn. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Partners Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, GS GAMMA Advisors, LLC, and Guggenheim Partners India Management.

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.



Guggenheim Investments

Guggenheim Investments is the global asset management and investment advisory division of Guggenheim Partners, with more than $217 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 250+ 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.

Guggenheim Partners

Guggenheim Partners is a diversified financial services firm that delivers value to its clients through two primary businesses: Guggenheim Investments, a premier global asset manager and investment advisor, and Guggenheim Securities, a leading investment banking and capital markets business. Guggenheim's professionals are based in offices around the world, and our commitment is to deliver long-term results with excellence and integrity while advancing the strategic interests of our clients. Learn more at GuggenheimPartners.com, and follow us on LinkedIn and Twitter @GuggenheimPtnrs.

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