Market Review

Recent U.S. economic data demonstrate that the expansion is being helped by lower rates. New homes sales have risen at a double-digit year-over-year pace for four consecutive months since August, spurred by lower mortgage rates but also base effects. Manufacturing production rose in both November and December, corroborating the signal seen in improving manufacturing surveys. Nonfarm payroll gains averaged 184,000 in the fourth quarter, above underlying labor force growth. Income gains and a positive wealth effect are also flowing through into retail sales, where “core” sales recovered in December after three months of declines.

The latest evidence suggests that the Federal Reserve’s (Fed’s) easing efforts have given the U.S. economy the extra gas it needed to extend the cycle. Furthermore, the new year kicks off with some clarity on U.S.-China trade policy. The eleventh-hour Phase 1 U.S.-China trade agreement may give U.S. companies some comfort that they can expect tariffs on either side to remain where they are for now. This should help support U.S. manufacturing activity, especially if China steps up purchases of U.S. goods as promised.

Over the next several months, we expect the Fed will stay on hold as it watches incoming data to ensure that the current level of fed funds remains appropriate. Monetary policy

Market Review continued on page 2.

<table>
<thead>
<tr>
<th>Average Annual Total Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Month</td>
</tr>
<tr>
<td>Institutional</td>
</tr>
<tr>
<td>A Class</td>
</tr>
<tr>
<td>Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index</td>
</tr>
</tbody>
</table>

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, except where otherwise noted. 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.

Unless otherwise noted, data is as of 12.31.2019. 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.

1 Past performance is no guarantee of future results. The Institutional Class was rated, based on its risk-adjusted returns, 4 stars for the Overall, 3 stars for the 3-year, and 4 stars for the 5-year periods among 161, 161, and 127 Ultrashort Bond 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.
Market Review (Continued)

acts on the economy with a lag, so the effects of the last rate cut in October 2019 might not be apparent until mid-2020. More economic data improvements may come as low rates flow through to consumers and to the credit markets.

Encouraged by positive data, market participants welcomed the new decade with cautious optimism. Credit spreads are near historical tights, but the CCC-BB spread in high-yield corporates and bank loans remains above their five-year averages. 10-year Treasury yields, while off their 2019 lows, have failed several times to rise above 2 percent. This reminds us that while the Fed has successfully pushed off a recession, 2020 arrives with many risks worth watching, including the U.S. presidential election, U.S.-Europe trade negotiations, the potential for a military conflict between the U.S. and Iran, and rising corporate and local government defaults in China.

Much of the global growth in this cycle has been driven by an accumulation of debt, which has a declining marginal return. Without a down cycle to deflate some of the bubble, easy credit availability at this stage keeps the weakest companies on life support as low rates force investors to provide capital to borrowers teetering on the brink of downgrade or default. In this environment, even if the CCC-BB spread compresses back to historical tights, it is not a credit rally we would chase.

Economic data suggest the Fed has successfully pushed off a recession by cutting rates and injecting significant amounts of liquidity. After tightening notably at the end of 2019, we expect credit spreads to move sideways over the next quarter. We remain concerned that credit excesses will balloon as a result of global central bank liquidity that is pushing down rates flow through to consumers and to the credit markets.

Summary:

- **Recent U.S. economic data demonstrate that the expansion is being helped by lower rates. New homes sales have risen at a double-digit year-over-year pace for four consecutive months since August, manufacturing production rose in both November and December, and nonfarm payroll gains averaged 184,000 in the fourth quarter. Income gains and a positive wealth effect are also flowing through into retail sales.**

- **The eleventh-hour Phase 1 U.S.-China trade agreement may give U.S. companies some comfort that they can expect tariffs on either side to remain where they are for now. This should help support U.S. manufacturing activity, especially if China steps up purchases of U.S. goods as promised.**

- **The Fed’s easing efforts have given the U.S. economy the extra gas it needed to extend the cycle. Over the next several months, we expect the Fed will stay on hold as it watches incoming data to ensure that the current level of fed funds remains appropriate.**

- **Credit spreads are near historical tights, but the CCC-BB spread in high-yield corporates and bank loans remains above their five-year averages. 10-year Treasury yields, while off their 2019 lows, have failed several times to rise above 2 percent. While the Fed has successfully pushed off a recession, risks remain.**

- **Much of the global growth in this cycle has been driven by an accumulation of debt. Without a down cycle to deflate some of the bubble, easy credit availability keeps the weakest companies on life support. In this environment, even if the CCC-BB spread compresses back to historical tights, it is not a credit rally we would chase.**

Commentary continued on page 3.
Performance Review

The fund finished the fourth quarter up 0.43 percent, while the benchmark (Bloomberg Barclays U.S. Aggregate 1-3 Month U.S. Treasury bill Index) returned 0.44 percent. The fund performed in line with the benchmark as interest rates at the front-end of the curve fell over the quarter as the Federal Open Market Committee (FOMC) cuts rates 25 basis points (bps) in October. The fund benefitted from excess income versus the benchmark.

Strategy and Positioning

The Fed’s October interest rate cuts, which pushed down rates at the front-end of the curve, were messaged as an effort to guard against downside risks and came even as unemployment sits at a 50-year low and inflation is moving back toward the Fed’s 2 percent target.

Additionally, the Fed purchased $156 billion of Treasury bills in the secondary market to support reserve management beginning in October. The Fed also increased their cumulative repo lending from $60 billion on 9/25 to $242 billion on 12/31. This contributed to the richening of the front-end of the Treasury curve.

Three-month Treasury yield fell 33 bps over the period. The stock of outstanding Bills increased by nearly $40 billion, on net, during Q4. Net of Fed purchases, outstanding supply declined by $116 billion.

Over the quarter all sectors contributed positively to total return with no negative performers. Within our credit exposure we continue to favor structured credit over corporate credit given generally a compelling spread pickup to similarly rated corporates while providing defensive positioning through shorter spread duration profiles.

Non-agency residential mortgage-backed securities (RMBS), which constituted 12% of the fund at year's end, also contributed positively as lower rates and improving credit fundamentals drove higher prepayments for discounted dollar price holdings. Limited home inventory and improving labor market conditions should support home prices and mortgage credit performance. Pre-crisis RMBS investment has benefited from a supply shortfall caused by ongoing paydowns and a lack of new issuance.

Asset-backed securities (ABS), which constituted 10% of the fund at year’s end, generated positive total returns as the investor base for structured credit, including aircraft securitization and other commercial ABS, continues to grow. Lease and renewal rates for midlife aircraft (those securitized in aircraft ABS) are expected to be supported by new aircraft supply disruptions and relatively low fuel prices.

Collateralized loan obligations (CLOs), which constituted 9% of the Fund at year’s end, contributed to performance despite minor spread widening over the year. New issue supply and intermittent weakness in the loan market led the sector to underperform other credit sectors. However, spreads remain considerably wider than many other asset categories, particularly those with a similar credit profile or spread duration. We continue to favor senior CLOs with short spread durations, as they offer a compelling spread pickup to similarly rated corporates.

Shorter maturity investment grade corporate bonds, which constituted 19 percent of the fund at quarter's end, added to performance driven by carry.

Below investment grade credit exposure remains near lows of the fund since inception. Late-cycle signals suggest that the risk-reward trade-off of owning credit are broadly skewed toward the negative.
One basis point is equal to 0.01%.

**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 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 Barclays 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.

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