Guggenheim employs a rigorous investment process to create professionally selected unit investment trust (UIT) portfolios that provide access to diverse asset classes, investment styles, and market sectors. Our approach, designed to be predictable, repeatable, and efficient, is supported by a unique risk budget framework. We leverage the diverse expertise of our specialized investment teams to deliver distinctive strategies to meet the evolving needs of today’s investors.
Investment Strategy Philosophy

Our strategy development philosophy is founded on three pillars, which not only guide the development of strategies, but also provide a consistent framework to assess the quality of strategies over time:

<table>
<thead>
<tr>
<th>Predictable</th>
</tr>
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<tbody>
<tr>
<td>Do we thoroughly understand the drivers of risk and return in a strategy and the market environments that are likely to be favorable or unfavorable to our approach?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Repeatable</th>
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<tr>
<td>Can the strategy be systematically executed from series to series throughout all stages of the market cycle, and do we have the right tools, procedures, and controls in place to execute?</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Efficient</th>
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<tr>
<td>Have we maximized risk-adjusted returns by minimizing unintentional risks and/or uncompensated risks?</td>
</tr>
</tbody>
</table>

Meeting Client Needs with a Unique Risk-Focused Approach

Guggenheim utilizes specialized equity expertise to deliver a wide breadth of UIT solutions. We leverage the strengths of our fundamental and quantitative teams to offer distinctive strategies that take advantage of the best of each investment discipline.

Our comprehensive risk focus incorporates a unique risk budget process, as well as rigorous stress-testing with the objective that Guggenheim UIT strategies perform as expected with minimal portfolio risk.

This differentiated approach and specialized focus, which leverages expertise across the firm, combine to enable investors to gain exposure to timely and attractive investment opportunities.

Farhan Sharaff,
Senior Managing Director,
Assistant Chief Investment Officer, Equities
Guggenheim's Five-Step Strategy Design

While each Guggenheim strategy has a specific investment objective and security selection, all Guggenheim research-driven UIT strategies share a consistent and meticulous approach in the development of their own unique investment thesis, risk budget, security selection, validation, as well as review and supervision.
Unlike other investment products, ongoing risk management cannot be conducted after a UIT deposit, which makes Guggenheim’s unique risk budget process crucial.

Investment Thesis
Identify which segment(s) of the market are attractive and how we wish to access them.
- What market opportunities or dislocations exist?
- What problem are we solving?
- What is our investment objective?
- What is our benchmark and required outperformance?

Risk Budget
Develop a risk budget to guide security selection to achieve the investment objective across a full market cycle. The risk budget identifies how much risk a strategy can afford to take and where that risk can be sourced, yet still deliver desired performance. Different investment strategies require diverse approaches in how we assess and budget risk. For example, growth stocks underperform/outperform for different reasons than value stocks and high dividend yield stocks are influenced by different market factors than dividend growth stocks. In creating the risk budget, we address the following questions:
- What sources of risk are inherent in the types of stocks we are buying?
- How much and what types of risk can we afford to take to accomplish our investment objective?
- How do we establish an effective balance between factor and industry exposures and stock-specific risks?

Security Selection Process Development
Design a repeatable security selection process within the risk budget that leverages applicable Guggenheim investment expertise to efficiently deliver the desired exposure and achieve the intended investment objective.
- Dependent on the strategy, Guggenheim can draw on either its fundamental or quantitative analysis capabilities—or a combination of the two
- Quantitative analysts utilize factor and expected return models, as well as proprietary portfolio optimization techniques
- Dedicated sector specialists perform fundamental sector and stock-specific analysis
- Through its diverse investment expertise, Guggenheim avoids cursory data mining and seeks to maximize the probability of meeting the strategy’s investment objective

Testing and Validation
Each strategy undergoes rigorous stress testing and scenario analysis to ensure that it aligns with our three investment philosophy pillars. The testing step evaluates not only the selection criteria, but also the number of securities in the portfolio, the length of the trust, as well as benchmark parameters. This additional assessment seeks to identify any weakness.

Supervision and Strategy Review
Guggenheim continuously reviews each trust’s performance and risk outcome throughout the life of the trust. Emergent risks or performance concerns are reflected back through adjustments to the risk budget and/or security selection process for future deposits.

Unlike other investment products, ongoing risk management cannot be conducted after a UIT deposit, which makes Guggenheim’s unique risk budget process crucial.
Case Study
Blue Chip Growth Portfolio
The Five-Step Process in Action

Investment Thesis

1 Market opportunity: The aftermath of the financial crisis, the aging of the population, global excess capacity, and unconventional monetary policies have created an environment where productivity growth is likely to be muted, and therefore economic growth is likely to be uneven and slow. In a secular “new normal” of lower economic growth, high-quality companies that can successfully generate revenue and earnings growth are likely to outperform.

2 Investment objective: Generate capital appreciation and current income by investing in a diversified portfolio of higher-quality large-cap growth stocks while generating a higher dividend yield than the growth benchmark.

Risk Budget

Risk Budgeting Philosophy: The investible universe should only include high-growth large-cap stocks, and portfolio construction should mitigate risks common in high-growth stocks, such as inability to turn growth into profitability and inability to turn accounting profits into cash flows, while delivering a size and sector composition in line with the benchmark.

1 Growth guidelines: Portfolio selections must rank in the top third of the S&P 500® ranked by:
   - Revenue growth
   - Growth in earnings per share (EPS) relative to price per share
   - 12-month total returns

2 Quality guidelines: Portfolio selections should have above-average:
   - Profitability, as measured by operating margin, return on assets, return on equity, and return on invested capital
   - Cash flows, as measured by cash from operations relative to revenues
   - Growth, as measured by revenues, earnings, and cash from operations

3 Portfolio constraints:
   - Sectors: Portfolio constrained to benchmark weights in 11 GICS Sectors +/- 5%
   - Market Capitalization: At least 90% of portfolio must be qualified as Large-Cap
   - Dividend Yield: Portfolio’s yield must exceed the benchmark
   - Country: All portfolio selections must be U.S.-domiciled and U.S.-listed
   - Liquidity: Minimum 90-day median trading volume of $1mm, minimum $5 share price

Security Selection Process Development

Our quantitative research team tested a variety of quantitative screens to produce an investable universe of higher-quality, faster-growing companies at attractive valuations. Due to the prevalence of highly cyclical companies and idiosyncratic risks and opportunities within this universe, we determined we needed to use our dedicated sector specialists to perform stock-specific analysis to select the final portfolio.

Testing and Validation

- Results from the quantitative screens were tested back to 1995, with evaluation of performance across market cycles and in a variety of market conditions in an effort to increase the probability of meeting performance investment goals.
- The proposed final portfolio was evaluated against the market benchmark. A majority of risk was expected to come from stock-specific risk, validating the need for sector specialists to drive final selection. When selecting stocks, there was also a preference for higher-quality stocks, with higher profit margins, lower revenue & earnings volatility, and lower trading activity relative to shares outstanding, reflecting our fundamental bias for quality companies.

Supervision and Strategy Review

Over the life of each of the trusts, all 22 matured trusts have generated positive returns. Attribution analysis shows that outperformance has primarily been a function of security selection and the high-quality tilt of the portfolios. Past performance does not guarantee future returns.
About Guggenheim Investments

Guggenheim Investments is the global asset management and investment advisory division of Guggenheim Partners and manages assets across fixed-income, equity, and alternative strategies. Our investment professionals perform rigorous fundamental and quantitative research to understand market trends and identify undervalued opportunities. We have an extensive track record of delivering innovative solutions by focusing on the needs of institutional and retail clients across a broad range of investment products and strategies.

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Read the trust’s prospectus carefully before investing. It contains the trust’s investment objectives, risks, charges, expenses, and other information, which should be considered carefully before investing. Obtain a prospectus at GuggenheimInvestments.com.

Investing involves risk, including the possible loss of principal. Stock markets can be volatile. Securities of growth companies may be more volatile than other stocks. Unit Investment Trusts are fixed, not actively managed and should be considered as part of a long-term strategy. Investors should consider their ability to invest in successive portfolios, if available, at the applicable sales charge. UITs are subject to annual fund operating expenses in addition to the sales charge. Investors should consult an attorney or tax advisor regarding tax consequences associated with an investment from one series to the next, if available, and with the purchase or sale of units. Guggenheim Funds Distributors, LLC does not offer tax advice.

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