Quarterly Commentary—Q1 2023

High Yield Fund

Mutual Fund | Fixed Income

Market Review

The high yield sector experienced a strong start to the year with its second straight quarter of positive returns. For the first quarter, the Bloomberg U.S. Corporate High Yield Index returned 3.57 percent.

U.S. high yield new issuance volume was light, totaling only $41 billion in the first quarter, down about 6 percent from a year ago. Nearly 70 percent of issuance was secured bonds, compared to an average of 28 percent over the last six years. This was partially due to issuers refinancing outstanding loans in the high yield bond market as a cheaper alternative. In terms of flows, High yield experienced net outflows of $17 billion from observable sources in the first quarter, with about 70 percent exiting ETFs and 30 percent from mutual funds. For comparison, 2022 had about $33 billion of outflows for the full year. Most sectors moved higher during the quarter, led by Consumer Cyclical (+4.78 percent) and Capital Goods (+4.24

Market Review continued on page 2.

Average Annual Total Returns As of 3.31.2023

	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	Since Fund Inception	Gross/Net Expense Ratio[3]	Fund Inception Date
Institutional	3.13%	3.13%	-2.39%	6.45%	2.70%	4.17%	6.40%	0.95%/0.88%	7.11.2008
A Class (No Load)	3.10%	3.10%	-2.60%	6.26%	2.48%	3.91%	5.81%	1.14%/1.10%	8.5.1996
A Class (Load)	-1.04%	-1.04%	-6.47%	4.81%	1.65%	3.41%	5.62%	1.14%/1.10%	8.5.1996
C Class (No Load)	2.90%	2.90%	-3.36%	5.40%	1.67%	3.11%	5.12%	1.94%/1.90%	5.1.2000
C Class (Load)	1.90%	1.90%	-4.28%	5.40%	1.67%	3.11%	5.12%	1.94%/1.90%	5.1.2000
P Class	3.10%	3.10%	-2.59%	6.16%	2.42%	—	3.41%	1.28%/1.15%	5.1.2015
R6 Class	3.19%	3.19%	-2.31%	6.57%	2.81%	—	2.80%	0.75%/0.75%	5.15.2017
Bloomberg U.S. Corporate High Yield Index	3.57%	3.57%	-3.34%	5.91%	3.21%	4.10%	6.38%[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. *Load performance reflects maximum sales charges or contingent deferred sales charges (CDSC) as applicable. A Class shares have a maximum sales charge of 4.0%. Effective 10.1.2015 the A Class maximum front-end sales charge was changed from 4.75% to 4.0%. 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 4.0% 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 3.31.2023. 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 As of 3.31.2023. 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. **3** The investment manager has contractually agreed to waive fees and expenses until 2.1.2024 to limit the ordinary operating expenses of the fund. The fund may have net expenses greater than the expense cap as a result of any acquired fund fees and expenses or other expenses that are excluded from calculation. **4** 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 617 High Yield Bond Funds. As of 3.31.2023.[1]

Symbols and CUSIP Numbers

	Symbol	CUSIP
Institutional	SHYIX	40168W665
A	SIHAX	40168W699
C	SIHSX	40168W673
P	SIHPX	40169J507
R6	SHYSX	40168W145

SEC 30-Day Yield[2]

	Subsidized	Unsubsidized
Institutional	7.74%	7.72%
A	7.17%	7.00%
C	6.73%	6.73%
P	7.52%	7.49%
R6	7.82%	7.82%

Redemption Fee

The fund will charge shareholders a 2.0% redemption fee when they redeem shares held for ninety (90) days or less.

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, 4 stars for the 3-year, 3 stars for the 5-year, and 4 stars for the 10-year periods among 617, 617, 575, and 411 High Yield 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)

percent). Banking, a relatively small portion of the index, was the main laggard, returning -0.41 percent. Communications was a relative underperformer (+0.79 percent) as some large issuers were negatively impacted by higher capital expenditures and increased competition. Performance by rating level showed that CCCs outperformed (+4.96 percent), while Bs finished +3.47 percent and BBs ended +3.44 percent.*

High yield fundamentals experienced slight deterioration, though they remain solid overall. Net leverage and interest coverage metrics continue to be well ahead of historical levels. The high yield default rate ticked higher to 1.9 percent, but remains below its long-term average of 4 percent. The distress rate also has also moved higher to start the year at 9.5 percent, but was well below the Covid-19 and prior economic slowdown highs.

Performance

Guggenheim High Yield Fund returned 3.13 percent for the first quarter, underperforming the Bloomberg U.S. Corporate High Yield Index by 44 basis points.

Performance over the period benefited from solid credit selection in basic industry, insurance, and BB-rated credit. Energy, which was a top performer last year, had returns slightly ahead of the high yield index, and the fund had solid credit selection within the sector. The fund was negatively impacted by the large underweight to the leisure subsector (approximately 3.6 percent of Index returning +9.4 percent, predominantly cruise lines), which was the top performing subsector. In addition, the allocation to bank loans underperformed the broader high yield Index in the quarter.

Strategy

The first quarter experienced considerable volatility in the U.S. Treasury market, given uncertainty around inflation, future rate hikes, and banking industry concerns. As a result, this impacted risk markets including high yield. Notably, the high yield Index was up as much as 5.5 percent in early February before giving back gains and later rallied 1.77 percent over the last three trading days of March. We expect elevated levels of volatility to continue as there are concerns about extending the debt ceiling and the economy slowing, which could weaken corporate earnings.

The fund regularly assesses the relative value between high yield bonds and bank loans, potentially looking to shift the allocation as the relationship changes. During the quarter, the fund decreased its bank loan allocation by about 2.5 percent and added to high yield bond exposure. New issuance volume had a strong start to the year, but slowed materially over the course of the quarter. With the slowdown in new issuance, we focused on uncovering opportunities in the secondary market.

Overall, the fund continues to avoid highly levered industries and companies with high capital expenditure needs that could impair cash flow, and instead focuses on companies with recurring revenue streams, strong cash flows, and high-quality margins. The fund remains positioned up in quality versus the benchmark, driven by an underweight to CCCs and distressed issuers. We remain nimble to take advantage of discounted levels in the secondary market to add selectively using our bottom-up credit approach. Yields on the Index decreased to 8.52 percent at the end of March amid tighter credit spreads and lower U.S. Treasury yields. Between 2006-2022, the Index's monthly average yield was 7.51 percent. Even with heightened credit risk and rising risk of recession, we think current yields offer opportunities to find credits that are trading cheap to their fundamentals and risk of default/loss.

Sector Allocation
(% of Net Assets)

High Yield Corporate Bonds	82.2%
Bank Loans	12.0%
Preferred Securities	1.7%
Investment Grade Corporate Bonds	1.6%
Equity	0.9%
Collateralized Loan Obligations	0.6%
Net Short-Term Investments	1.0%
Short-Term Investments[1]	1.8%
Leverage/Reverse Repos	-0.8%

Portfolio Characteristics

Weighted Average Life (WAL) to Worst[2]	5.9
Modified Duration to Worst[3]	3.9
Number of Holdings	265
Average Price[4]	$87.3

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** Modified Duration to Worst is the approximate percentage change in price for a hundred basis point change in yield assuming that cash flows are fixed as rates change. **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.

* 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.

Risk Considerations This fund may not be suitable for all investors. • 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. • 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. •The fund's use of leverage, through borrowings or instruments such as derivatives, may cause the fund to be more volatile than if it had not been leveraged. • 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. • The fund may invest in foreign securities which 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 other investment vehicles subject the fund to those risks and expenses affecting the investment vehicle. • 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.

Index Definition: The **Bloomberg U.S. Corporate High Yield Index** measures the market for USD-denominated non-investment grade, fixed rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/ BB+ or below. The index excludes emerging market debt.

Definitions: One **basis point** equals 0.01%.

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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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