Quarterly Commentary—Q1 2023

Core Bond Fund

Mutual Fund | Fixed Income

Market Review

Developments in March highlighted the increasingly difficult place in which the Federal Reserve (Fed) and other central banks find themselves as they work toward restoring price stability and maintaining financial stability. The collapse of Silicon Valley Bank and Signature Bank prompted banks to rush for liquidity support from the Fed , totaling $165 billion in the immediate aftermath. Overseas, the Swiss National Bank provided the equivalent of $54 billion in emergency liquidity to Credit Suisse before a deal was struck with rival UBS to buy it for $3.25 billion.

Heightened concerns about further bank stress and central banks' ability to continue aggressively tightening monetary policy weighed heavily on market-implied expectations for the path of policy rates. Nevertheless, in March the Fed raised rates by 25 basis points (bps) and the European Central Bank raised rates by 50 basis points. We expect central banks will continue to raise rates over the next few months in their continuing effort to bring inflation to heel, despite the cracks in financial stability that are beginning to show.

While markets were volatile, data releases indicated that the U.S. economy is still on a

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 Inception	Gross/Net Expense Ratio[3]	Fund Inception Date
Institutional	3.95%	3.95%	-6.12%	-1.06%	1.17%	2.85%	2.90%	0.60%/0.49%	1.29.2013
A Class (No Load)	3.87%	3.87%	-6.37%	-1.34%	0.88%	2.57%	5.07%	0.82%/0.78%	8.15.1985
A Class (Load)	-0.31%	-0.31%	-10.12%	-2.67%	0.06%	2.07%	4.94%	0.82%/0.78%	8.15.1985
C Class (No Load)	3.70%	3.70%	-7.07%	-2.07%	0.14%	1.82%	2.82%	1.61%/1.53%	5.1.2000
C Class (Load)	2.70%	2.70%	-7.97%	-2.07%	0.14%	1.82%	2.82%	1.61%/1.53%	5.1.2000
P Class	3.93%	3.93%	-6.38%	-1.34%	0.87%	—	1.89%	0.94%/0.78%	5.1.2015
Bloomberg U.S. Aggregate Bond Index	2.96%	2.54%	-4.78%	-2.77%	0.91%	1.36%	5.86%[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 4.00%. Effective 10.1.2015 the A Class maximum front-end sales charge was changed from 4.75% to 4.00%. 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 4.00% 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.

3 The advisor has contractually agreed to waive fees and expenses through 2.1.2024 to limit the ordinary operating expenses of the fund. See the prospectus for more information about fees and expenses. **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 414 Intermediate Core Bond Funds. As of 3.31.2023.[1]

Symbols and CUSIP Numbers

	Symbol	CUSIP
Institutional	GIUSX	40168W624
A Class	SIUSX	40168W657
C Class	SDICX	40168W632
P Class	SIUPX	40169J606

SEC 30-Day Yield[2]

	Subsidized	Unsubsidized
Institutional	4.76%	4.68%
A	4.28%	4.07%
C	3.73%	3.69%
P	4.47%	4.39%

1 **Past performance is no guarantee of future results.** The Institutional Class was rated, based on its risk-adjusted returns, 5 stars for the Overall, 4 stars for the 3-year, 4 stars for the 5-year, and 5 stars for the 10-year periods among 414, 414, 378, and 282 Intermediate Core 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. **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.

Market Review (Continued)

relatively firm footing. March job growth came in at 236,000, well above the level needed to keep the unemployment rate from rising. Housing data has surprised to the upside, likely in response to the recent softening of mortgage rates. Meanwhile, the S&P Global U.S. composite PMI rose to a 10-month high, with strength especially evident in sub-indices for the service sector. More forward-looking data looks more concerning, however, with the Leading Economic Index turning down further, initial signs of job loss in the most cyclical and interest rate sensitive sectors, and business surveys souring on the economic outlook and plans for spending and hiring.

The Fed acknowledged in its March Federal Open Market Committee meeting statement that a contraction of credit emanating from volatility in the banking sector was likely to create new headwinds for the economy. In recognition of this new risk, the Fed's updated Summary of Economic Projections showed a small downward revision of real gross domestic product growth this year, from 0.5 percent to 0.4 percent, followed by a larger downward revision for next year, from 1.6 percent to 1.2 percent. We continue to expect a recession to begin midway through the year.

Summary:

- *Developments in March highlighted the increasingly difficult place in which the Fed and other central banks find themselves as they work toward restoring price stability and maintaining financial stability.*
- *We expect central banks will continue to raise rates over the next few months in their continuing effort to bring inflation to heel, despite the cracks in financial stability that are beginning to show.*
- *While markets were volatile, data releases indicated that the U.S. economy is still on a relatively firm footing.*
- *The Fed's updated Summary of Economic Projections showed a small downward revision of real gross domestic product growth this year, followed by a larger downward revision for next year.*
- *We continue to expect a recession to begin midway through the year.*

Performance Review

During the first quarter of 2023, the fund generated strong performance, with an absolute return of +3.95 percent. Notably better than its benchmark, the Bloomberg US Aggregate Index, which returned +2.96 percent, leading to outperformance of +0.99 percent. The primary driver of the fund's absolute performance was duration, which contributed about +2.00 percent. Credit spreads and carry were the most important factors in active performance.

The fund's positive relative performance was the result of several factors. Its underweight position to agency residential mortgage-backed securities (RMBS) and some outperformance in out-of-index sector positions, such as securitized credit and investment grade corporates, contributed to the spread drivers. Carry, which refers to the earned income, remained a consistent source of absolute and relative performance to the Fund, adding approximately +1.40 percent and +0.50 percent, respectively. Duration added about +0.15 percent on a relative basis, largely due to a slight overweight position in the beginning of the year.

Commentary continued on page 3.

Sector Allocation

(% of Net Assets)

Investment Grade Corporate Bonds	25.1%
U.S. Treasuries & Agencies	21.0%
Asset-Backed Securities	14.0%
Collateralized Loan Obligations	13.2%
Agency Mortgage-Backed Securities	6.3%
Agency Commercial Mortgage-Backed Securities	3.6%
Non-Agency Commercial Mortgage-Backed Securities	3.3%
High Yield Corporate Bonds	3.2%
Non-Agency Mortgage-Backed Securities	2.6%
Preferred Securities	2.2%
Municipal Bonds	2.1%
Bank Loans	1.7%
Military Housing Bonds	1.3%
Private Placements	0.8%
Foreign Government & Agencies	0.7%
Other Fixed Income[1]	0.2%
Equity	0.2%
Derivatives	-0.1%
Net Short-Term Investments	-1.2%
Short-Term Investments[2]	-1.2%
Leverage/Reverse Repos	0.0%

Portfolio Characteristics

Weighted Average Life (WAL) to Worst[3]	10.5
Number of Holdings	574
Effective Duration[4]	6.5
Average Price[5]	$89.6

1 Other Fixed Income includes fixed income mutual funds, closed end funds, and other miscellaneous fixed income instruments. **2** Short-Term Investments may include uninvested cash, net unsettled trades, money market funds, commercial paper, repos, and other liquid short duration securities. **3** 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. **4** 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. **5** 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.

Strategy and Positioning

The fund's largest allocation is to investment-grade securitized credit, comprising 34 percent of the fund, which generated attractive performance in the quarter as spreads rebounded after some underperformance in the fourth quarter of 2022. Investment-grade securitized credit spreads in absolute and relative to similarly rated corporate credits remain historically wide. Low dollar prices also continue to provide potentially high total return opportunities. Investment-grade securitized credit's inherent diversity of payment streams and ultimate obligors have become attractive attributes for investors seeking more defensive investments following March's banking crisis episode. As monetary policy tightens and cycle risks grow, concentrated, single-name credit investments are more vulnerable than usual. While these diversification features are not new, they have come to the forefront as investors seek to mitigate individual issuer risk exposures. In that environment, investment-grade securitized credit becomes an increasingly attractive defensive alternative to corporate credit, while also offering an attractive source of income.*

Corporate credit represents approximately 30 percent of the fund's holdings, with roughly 23 percent rated as investment grade and 7 percent rated below investment grade. While fundamental credit metrics such as leverage and earnings before interest, tax, depreciation, and amortization (EBITDA) growth have remained resilient, signs of weakness have begun to appear, including downward revisions to earnings estimates and pressured interest coverage ratios, particularly in loan issuers. As a result, the fund stance towards corporate credit has increasingly grown more cautious. During the period, the fund prioritized up-in-quality rotations, building on our efforts from the previous year. These rotations included trimming select issuer exposures and switching into more structurally senior ranking bonds. The fund's allocation to Investment-grade corporates decreased by 4 percent, while its allocation to below investment grade corporates decreased by 2 percent.

Primarily in response to failures emerging in the banking industry, interest rate volatility was extremely elevated with interest rates ultimately falling significantly during the quarter. The fund opportunistically used the rate volatility to bring its overall duration in line with the benchmark, having been modestly overweight at the start of the quarter. Curve positioning was also brought closer to flat relative to the benchmark while still maintaining a slight bear flattener view. The fund added to its agency RMBS allocation as valuations cheapened, another opportunity that arose due to the spike in interest rate volatility. The sector offers significant upgrades to credit quality and liquidity with a carry profile comparable corporate credit.

Though the policy response from regulators to the banking crisis served to stave off immediate run risk contagion concerns, other weaknesses will likely arise as financial conditions continue to tighten. The Fed remained in a highly restrictive stance and raised interest rates by another 25 bps in March, indicating they have little tolerance for easing financial conditions until inflation concerns are convincingly extinguished. We continue to anticipate a recession starting as early as the second half of this year. As this cycle plays out, we believe investors are well-served by cautious and prudent security selection and asset allocations, but we have not lost sight of the compelling valuation opportunities across the fixed income landscape.

* Securitized credit, including asset-backed securities, mortgage-backed securities, and collateralized loan obligations (CLOs), are complex investments and not suitable for all investors. Investors in securitized credit generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some securitized credit investments 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. CLOs bear similar risks to investing in loans directly, including credit risk, interest rate risk, counterparty risk and prepayment risk. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate.

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 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. CLOs bear similar risks to investing in loans directly. • Investments in loans involve special types of risks, including credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below Core, may be unrated, and typically offer a fixed or floating interest rate. • High yield and unrated debt securities are at a greater risk of default than Core bonds and may be less liquid, which may increase volatility. • The fund's use of leverage, through borrowings or instruments such as derivatives, may cause the fund to be more volatile and riskier than if it had not been leveraged. The more a fund invests in leveraged instruments, the more the leverage will magnify any gains or losses on those investments. • Investments in reverse repurchase agreements expose the fund to many of the same risks as leveraged instruments, such as derivatives. • You may have a gain or loss when you sell your shares. • Please read the prospectus for more detailed information regarding these and other risks.

Index Definitions The **Bloomberg U.S. Aggregate Bond Inde**x is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

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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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