

Methodology

Guggenheim RBP[®] Blended Index^{SM1}

Introduction

The Guggenheim RBP[®] Blended Index is part of the Guggenheim Investments family—a series of indices offered by Guggenheim Investments using rules-based published analytics. Guggenheim Investments indices are designed to measure the performance of investment strategies based on the criteria established by Guggenheim Investments for the valuation of publicly traded companies.

The Guggenheim RBP[®] Blended Index is unique from other indices in the Guggenheim Investments family in that it is designed to measure the performance of investment strategies based on the criteria established for the valuation of a dynamic allocation between a U.S. stock index and a U.S. fixed-income index.

The Guggenheim RBP[®] Blended Index^{SM1} reallocates weights between the Price Return version of the Guggenheim RBP[®] Large-Cap Defensive Index (“Stock”) and the S&P 2-Year U.S. Treasury Note Futures Total Return Index (“Bond”).

Components of the Guggenheim RBP[®] Large-Cap Defensive Index are selected in part based on their RBP[®] probabilities.

RBP[®], which stands for Required Business Performance[®], is calculated by taking a reverse discounted cash flow approach to determine the future business performance required by a company to support its current stock price. RBP[®] probabilities intend to measure the likelihood that a company can deliver the required business performance identified by applying the methodology over specified time periods.

Index Universe

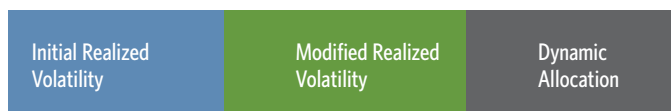
The index components are drawn from the following starting universes:

Index	Index Universe
Guggenheim RBP [®] Large-Cap Defensive Index (Price Return)	Dow Jones U.S. Large-Cap Total Stock Market Index
S&P 2-Year U.S. Treasury Note Futures Total Return Index	S&P Global Bond Futures Index Series

For information on the creation and maintenance of the indices that serve as the index universes and S&P 2-Year U.S. Treasury Note Futures Total Return Index, please see the Guide to the Dow Jones U.S. Total Stock Market Indices and S&P Global Bond Futures Index Series Methodology, available on the S&P Dow Jones Indices Web site at www.djindices.com/totalstockmarket and us.spindices.com

Index Construction

At each rebalance, the index allocation and weights are determined by measuring the volatility of the equity index. This is done in the following steps:



Step 1: Compute “Initial Realized Volatility”

Initial Realized Volatility is the annualized standard deviation of the stock index over the preceding 20 observation days. It is defined as:

$$\sigma_t^{\text{Initial}} = \sqrt{\frac{252}{19} \times \sum_{i=0}^{19} \left[\ln \left(\frac{\text{Index}_{t-20+i}^{\text{Stock}}}{\text{Index}_{t-21+i}^{\text{Stock}}} \right) - \frac{1}{20} \times \sum_{j=0}^{19} \ln \left(\frac{\text{Index}_{t-20+j}^{\text{Stock}}}{\text{Index}_{t-21+j}^{\text{Stock}}} \right) \right]^2}$$

Step 2: Compute “Modified Realized Volatility”

Modified Realized Volatility is the maximum of the “Initial Realized Volatility” (as defined in step 1) over 5 most recent observation days (i.e. the “Initial Realized Volatility” of the previous 4 observation days and current calculation day). It is defined as:

$$\sigma_t^{\text{Modified}} = \max_{t-4 \leq i < t} \{ \sigma_t^{\text{Initial}} \}$$

This modification produces a greater allocation to U.S. Treasury than otherwise. It also reduces the transaction costs resulting from index rebalance activities.

Step 3: Determine “Dynamic Allocation”

For a given level of “volatility target”, the allocation to the stock index is inversely proportional to its “Modified Realized Volatility” on each observation day. Furthermore, in order to avoid “leveraging”, the allocation to the stock index is limited at 100%. The remainder portion is then allocated to the bond index. The volatility target is set at 6.25%. At this level, the split between Stock and Bond has been on average, 50%/50% based on available data.

$$W_t^{\text{Stock}} = \min \left\{ 1, \frac{\sigma^{\text{Target}}}{\sigma_t^{\text{Modified}}} \right\}$$

$$\sigma^{\text{Target}} = 6.25\%$$

$$W_t^{\text{Bond}} = 1 - W_t^{\text{Stock}}$$

Review Frequency

There are no separate announcements made with regards to Index rebalance as it is explicit in the calculation of the Guggenheim RBP® Blended IndexSM.

Weighting

The Guggenheim RBP® Blended IndexSM allocates weights to the underlying indices based on the formula described in Step 3.

Calculations

The return of each index is calculated daily by multiplying the returns of the underlying indices by the weighting assigned to the corresponding components and then summing the weighted returns.

$$\text{Index}_t^{\text{Blend}} = \text{Index}_{t-1} \times (W_t^{\text{Stock}} \times \text{Return}_t^{\text{Stock}} + W_t^{\text{Bond}} \times \text{Return}_t^{\text{Bond}})$$

$$\text{Where } \text{Return}_t^{\text{Stock}} = \frac{\text{Index}_t^{\text{Stock}}}{\text{Index}_{t-1}^{\text{Stock}}}$$

$$\text{, and } \text{Return}_t^{\text{Bond}} = \frac{\text{Index}_t^{\text{Bond}}}{\text{Index}_{t-1}^{\text{Bond}}}$$

Data Availability

Calculation of the Guggenheim RBP® Blended Index began on March 20, 2013. Real index history is available daily from this date forward.

Additional information regarding the RBP® methodology is available at rbpinstitute.com.

The Guggenheim RBP® Blended Index (the "Index") was first calculated on March 20, 2013, at the market close. Complete index methodology details are available at rbpinstitute.com.

The Index returns shown do not represent the results of actual trading of investible assets/securities. S&P Dow Jones Indices LLC maintains the Index and calculates the Index levels and performance shown or discussed, but does not manage actual assets. Past performance of the Index is not an indication of future results.

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An index is unmanaged, not subject to fees and not available for direct investment.

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