Third Quarter 2026

Fixed-Income Sector Views

Guggenheim Investments

Scorecard

Yield Matrix

	12 Month	2 Year	5 Year	7 Year	10 Year	30 Year
Treasurys	4.0%	4.2%	4.2%	4.3%	4.5%	5.0%

	AAA	AA	A	BBB	BB	B
Corporate Bonds	5.0%	5.0%	5.1%	5.4%	6.0%	7.3%
Leveraged Loans	-	-	-	-	6.4%	8.7%
Asset-Backed Securities	4.6%	5.1%	5.7%	6.5%	-	-
Collateralized Loan Obligations	5.1%	5.4%	5.6%	6.9%	11.8%	-
Taxable Munis	4.9%	5.0%	5.2%	6.0%	-	-
Tax-Free Munis	3.4%	3.5%	3.8%	4.4%	4.9%	-

Spread and Performance

Index / Sector	Spread / Discount Margin / Muni Ratio	QOQ Change bps	YOY Change bps	Spread Percentile (Decade)	Yield	Yield Percentile (Decade)	2Q26 Return %
Bloomberg U.S. Aggregate Bond Index	26 bps	0	-5	3%	4.7%	85%	**0.7%**
Bloomberg Investment-Grade Corporate Bond Index	74 bps	-5	-2	3%	5.2%	79%	**1.4%**
Bloomberg High Yield Index	264 bps	-7	-16	3%	7.2%	65%	**2.5%**
S&P UBS Leveraged Loan Index	655 bps	4	22	100%	8.9%	78%	**1.9%**
Palmer Square CLO Index AAA	112 bps	-1	0	11%	5.1%	70%	**1.3%**
ICE BofA AA-BBB US ABS Index	162 bps	-9	-4	24%	5.8%	74%	**1.5%**
Bloomberg Taxable Municipal Bond Index	68 bps	0	-12	0%	5.1%	84%	**0.7%**
Bloomberg Tax-Free Municipal Bond Index	80%	-6%	-12%	8%	3.6%	78%	**2.5%**
Bloomberg U.S. Agency MBS Index	24 bps	4	-15	20%	5.0%	84%	**0.6%**
Bloomberg U.S. Agg-Eligible Non-Agency CMBS Index	110 bps	-2	-19	48%	5.3%	73%	**0.7%**

Sector Pairs (Spread and Return Differences)							
High Yield Corporates - IG Corp	191 bps	-2	-14	5%	2.0%	12%	**1.1%**
AAA CLO - IG Corp	39 bps	4	2	62%	-0.1%	56%	**-0.1%**
AA/BBB ABS - IG Corp	88 bps	-4	-2	54%	0.6%	61%	**0.1%**

Source: Guggenheim Investments, Bloomberg, S&P UBS, ICE Index Services, Palmer Square. Data as of 6.30.2026. Municipal bond valuations are commonly measured as the ratio between their yield and a comparable-maturity U.S. Treasury yield. This methodology accounts for munis' tax-exempt interest, which typically results in lower nominal yields compared to taxable Treasuries. This contrasts with corporate bonds, where valuation is primarily expressed as a spread over Treasuries.

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PORTFOLIO MANAGEMENT OUTLOOK

Sound Credit Fundamentals and Elevated Yields to Weather Tail Risks to Our Outlook

The economic backdrop for fixed income remains attractive. Our baseline U.S. economic outlook calls for real gross domestic product (GDP) growth to stay around 2 percent this year and into next, supported by business investment in artificial intelligence (AI), higher end consumer spending tied to rising AI-related stock prices, and near-term fiscal stimulus. We expect inflation to cool later this year as the effects of tariffs and higher energy prices fade, allowing the Federal Reserve (Fed) to remain on hold. Still, prolonged escalation in the Middle East, sticky inflation, or an interruption in the AI thesis that leads to a pullback in AI capital expenditure (capex) and consumer spending pose risks to our baseline outlook.

Credit and Risk Positioning

Our investment approach is guided by several key dynamics: all-in yields remain attractive; credit spreads in many sectors are near all-time tights; and credit fundamentals are strong but diverging among industries more exposed to tariffs, technology shifts, and interest rates.

In this environment, our positioning emphasizes income generation and diversification. We remain neutral relative to our long-term credit beta targets and have added hedges amid ongoing volatility. We prefer high carry instruments within defensive sectors, including senior commercial ABS and non-Agency RMBS. Within corporate credit, our investment-grade strategies still lean long financials, while our high yield strategies remain up in quality and selective within industries with uncertain earnings trajectories. Across strategies, we are preserving dry powder and risk capacity to withstand a range of outcomes and take advantage of market dislocations when they occur.

Duration and Interest Rate Views

Since the onset of the Iran conflict, the Treasury yield curve has flattened as front-end rates moved higher, prodded by higher oil prices and Fed Chair Kevin Warsh's hawkish remarks at his first press conference. A resilient economy and persistent fiscal deficits should keep long rates elevated, with the 10-year Treasury yield likely remaining in its recent range. Yields are attractive at the short and intermediate part of the curve, and we are adding exposure in the two- to five-year segment while tactically rotating in and out of the 10-year tenor as it moves within our expected range. In either scenario, Treasury Inflation-Protected Securities (TIPS) offer a compelling risk-reward profile, providing meaningful upside if the Fed stays patient and a durable hedge if inflation reaccelerates.

As investors get accustomed to the Fed's reaction function and communication policies under its new leadership, we are navigating a solid economic environment and smoothly functioning markets, with an array of tail risks to our base case. Against this backdrop, we believe rigorously vetted higher quality credit offers attractive yields, potential price appreciation, and portfolio ballast to weather a range of outcomes.

By Anne Walsh, Steve Brown, Adam Bloch, and Evan Serdensky

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

MACROECONOMIC UPDATE

Inflation Remains a Persistent Challenge

Our baseline view has the Fed on hold into 2027, but with risks to rate hikes.

The U.S. economy enters the second half of 2026 with a steady baseline outlook, but narrow growth drivers and persistent inflation present substantial risks. The economy has weathered a historic energy supply disruption, with tax refunds cushioning consumers from higher energy prices, and AI capex also driving growth. Looking ahead, we expect real GDP growth of approximately 2.0 percent in 2026, with a similar pace in 2027. While fiscal support for consumers will fade in coming months, a steadier labor market should help support consumer spending, while upper income consumers in particular continue to benefit from strong wealth gains.

Investment in AI is providing a large and growing impulse to economic growth, with AI capex projected to contribute around 1 percentage point of real GDP growth during 2026 through direct investment in infrastructure and broad spillovers to activity. Business investment away from the AI infrastructure buildout has been softer, but fiscal provisions should help investment broaden in coming quarters. With growth increasingly reliant on direct spending for the AI buildout and indirect household wealth gains that are supporting consumption, any disruption to the AI investment thesis could present a downside risk to growth.

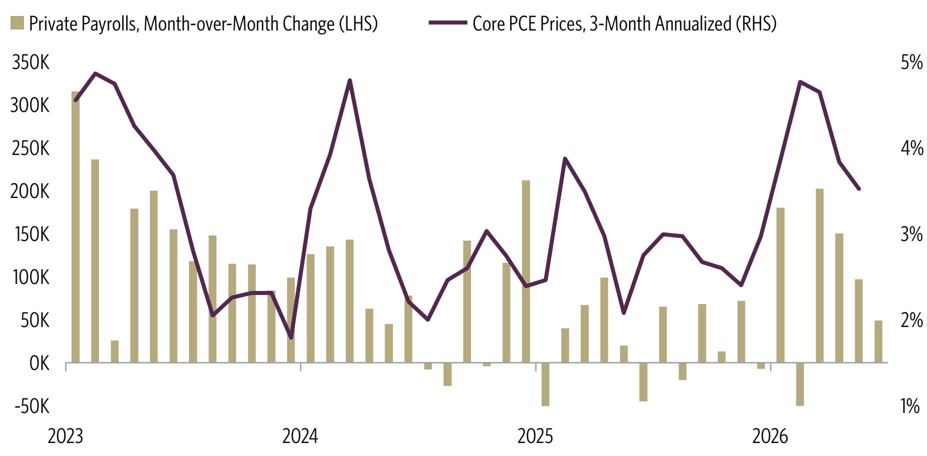
Inflation remains well above the Fed's 2 percent target, with core personal consumption expenditures (PCE) inflation at 3.4 percent in the 12 months through May. We expect annual readings will remain above 3 percent for the balance of the year, but sequential monthly prints should moderate in coming months. Tariff effects look to have mostly run their course, and the passthrough of higher energy prices into core inflation should be more benign than feared this spring. However, lingering supply chain disruptions from the Iran conflict could cause some stickiness in inflation, and AI-related technology goods inflation is a new inflationary impulse that has had a notable impact on consumer prices this year. While we expect some moderation in the pace of technology goods inflation, helped by upcoming methodology revisions, this source of inflation poses upside risks.

Despite a more hawkish tone recently from Fed officials, our baseline view has the Fed remaining on hold into 2027 as inflation prints moderate. However, rate hike risks remain elevated if inflation proves persistent. At the Federal Open Market Committee's (FOMC) June meeting, the Committee signaled that its patience on inflation was wearing thin, with half of participants projecting rate hikes this year. Fed Chair Warsh also communicated a strong commitment to price stability. We ultimately see softer inflation prints in the coming months allowing the Fed to avoid hikes, but we'll be watching to see if AI-related investment continues to buoy tech-related components, and whether the labor market goes beyond stabilization to renewed tightening.

By Matt Bush and Maria Giraldo

Inflation remains well above the Fed's 2 percent target, with core PCE inflation at 3.4 percent in the 12 months through May. We expect annual readings will remain above 3 percent for the balance of the year, but sequential monthly prints should moderate in coming months.

Inflation Remains Too High, But We Expect Cooler Monthly Readings and a Stable Labor Market Will Keep the Fed on Hold



Source: Guggenheim Investments, Haver Analytics, Bureau of Labor Statistics, Bureau of Economic Analysis. Data as of 6.30.2026 for payrolls, 5.31.2026 for core PCE.

RATES

A Buyer's Market for Real Yield

Aggressive yield curve flattening has created an attractive entry for real yield compression trades in the front end and belly.

Rates repriced in the second quarter as investor expectations moved from a policy easing bias in favor of rate hikes. A series of economic, geopolitical, and policy catalysts reshaped the yield curve and the inflation outlook in quick succession, leaving the front end and belly of the curve meaningfully cheaper by quarter end and setting up an attractive entry point for real yield compression trades.

Sector Commentary

- Entering the second quarter, global central bank policy pricing was quite divergent—markets were priced for 25 basis points of easing in the United States compared to 50–75 basis points of hikes priced across Europe and the United Kingdom. By quarter end, robust labor market data, generally strong economic releases, and the global energy shock pushed the U.S. market towards a hiking bias as well.
- The convergence of global policy expectations drove a sharp bear flattening in Treasurys, with front-end yields increasing by 50 basis points. Fed Chair Warsh's hawkish debut on June 17 amplified the move in Treasurys, driving yields higher.

Investment Themes

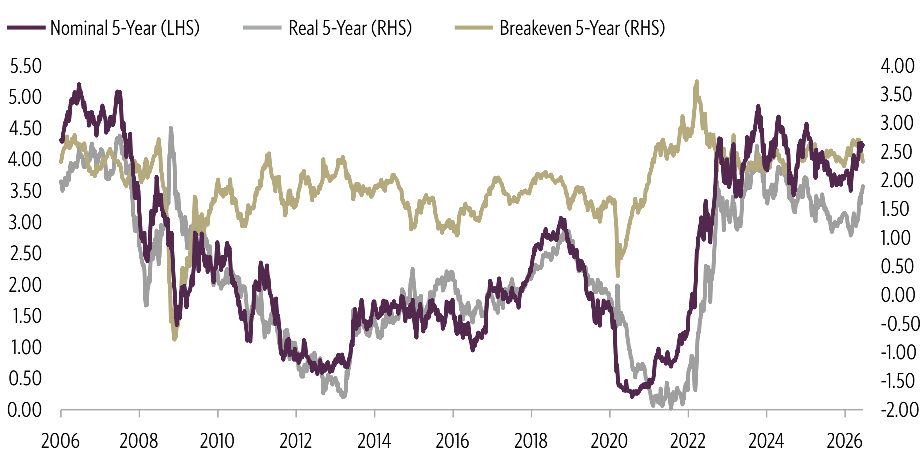
- Elevated real yields, narrow breakeven inflation rates, and a likely patient Fed, make intermediate TIPS attractive relative to nominal Treasurys. If the Fed remains on hold, real yields should decline while breakeven rates rise. Conversely, if inflation remains high and prompts Fed rate hikes, higher inflation accruals should support TIPS returns.
- We have a mostly neutral curve view, but prefer to express some relative duration positioning in the short and intermediate part of the curve, where market pricing has moved the most.
- With headline Consumer Price Index inflation at 4.2 percent in May and breakeven rates generally trading below realized inflation, the Hormuz energy shock and ongoing tariff passthrough should keep near-term inflation accruals elevated before inflation starts to moderate later this year.

By Kris Dorr and Tad Nygren

We have a mostly neutral curve view, but prefer to express some relative duration positioning in the short and intermediate part of the curve, where market pricing has moved the most.

We See Value in the Short and Intermediate Part of the Curve

Historical 5-Year Treasury Nominal, Real, Breakeven Rates



Source: Guggenheim Investments, Bloomberg. Data as of 6.17.2026.

INVESTMENT-GRADE CORPORATE BONDS

Tight Spreads Face Pressure from Record Issuance

We favor utility hybrids with coupon floors and bank preferreds, but remain wary of tech.

Investment-grade credit enters the third quarter with spreads near all-time tights and mounting pressure from a record pipeline of issuance tied to AI capex and M&A activity. We expect spreads to trade in a tight range with a bias toward modest widening, decompression between BBB and A/AA cohorts, and a steeper credit curve. We see relative value in utility hybrids with coupon floors and bank preferreds while remaining cautious on the technology, media, and telecommunications (TMT) sector, particularly technology.

Sector Commentary

- Investment-grade AI-related debt financing, at $257 billion year to date, remained topical throughout the second quarter. Of that total, and the more interesting trend, is the $60 billion in off-balance sheet transactions that have become popular for financing larger scale data center projects.
- Nuances in construction risk, tenant lease structure, and the tenant itself remain key drivers of relative valuations between opportunities.
- Investment-grade spreads are starting to feel the pressure of relentless supply. Issuance forecasts continue to trend higher and are now at $2 trillion gross and $412 billion net after maturities and coupon payments. If estimates hold true, net issuance would be nearly three times higher than 2025 and the most since 2020.
- Credit curves continued to flatten due to long duration liability demand, steeper yield curves, increased front-end issuance and lack of long duration non-hyperscaler supply.

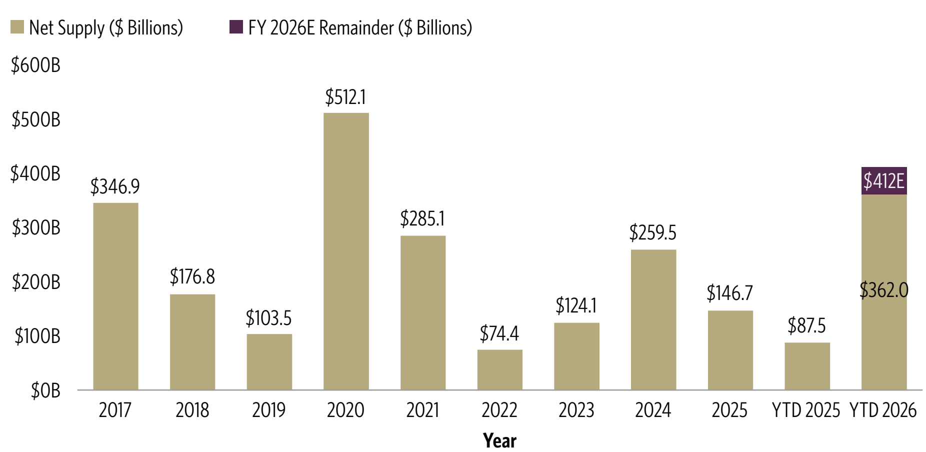
Investment Themes

- The bias is toward credit curve steepening with increased AI capex financing and M&A supply tending to tilt toward longer duration and a flatter Treasury curve.
- Hybrid securities, particularly utility hybrids with coupon floors, continue to offer attractive, lower beta carry. As increased hybrid issuance cannibalizes preferred issuance, the resulting constrained preferred supply should support bank preferreds.
- With spreads at historical tights, corporate bond yields high, and dispersion unusually low, we expect investment-grade bond spreads to trade in a tight range with a bias towards widening over the quarter. Continued primary supply should drive decompression between BBB and A/AA cohorts, while keeping TMT sector spreads wide, particularly in technology. The energy sector's year-to-date outperformance is likely to reverse as the Strait of Hormuz reopens.

By Justin Takata

Investment-grade credit enters the third quarter with spreads near all-time tights and mounting pressure from a record pipeline of issuance tied to AI capex and M&A activity.

Net Supply Including Maturities and Coupons Is the Highest Since 2020



Source: Guggenheim Investments, J.P. Morgan. Data as of 6.30.2026.

HIGH YIELD CORPORATE BONDS

Compression Persists, Fundamentals Hold Firm

New issuance is concentrated in refinancings, bolstered by AI and datacenter transactions.

High yield corporate bonds delivered positive performance in the second quarter amid easing geopolitical concerns, solid macroeconomic data, and resilient corporate earnings. With spreads roughly flat for the year, first half returns largely consisted of coupon income offset by higher rates. Sector and rating dispersion was minimal and gains were broadly distributed, though energy lagged as oil prices fell. New issuance was robust, but was concentrated in refinancings, with net new money largely originating from AI and datacenter issuers.

Sector Commentary

- Spreads on the ICE BofA U.S. High Yield Master II Constrained Index tightened in the second quarter to 275 basis points, reversing the widening in the first quarter.
- The index posted a 2.5 percent total return for the second quarter. Quarterly returns highlight outperformance by lower quality credit, with BB-rated, B-rated, and CCC-rated bonds returning 2.3 percent, 2.8 percent, and 3 percent, respectively.
- New issuance totaled $101 billion in the second quarter, up 32 percent year over year, about 60 percent of which funded refinancing activity while mergers and acquisition/leveraged buyout (M&A/LBO) activity declined to 15 percent. Refinancing has kept the maturity wall manageable, with only 5 percent of the Index maturing through 2027.
- High yield funds attracted $6.4 billion in net inflows in the second quarter of 2026, mainly from exchange-traded funds (ETFs), which provided an additional tailwind for performance.

Investment Themes

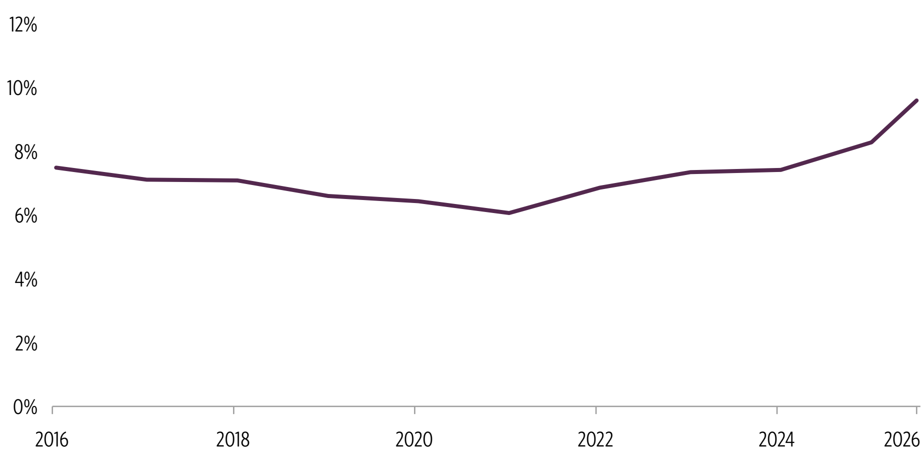
- AI and datacenter supply represented about 20 percent of quarterly issuance and is expected to remain robust in the back half of the year.
- Roughly three quarters of the high yield market is trading at spreads inside 300 basis points, a level that remains tight relative to historical averages.
- Buyer demand has strengthened as yields have moved sustainably above 7 percent in recent quarters.
- Credit fundamentals remain strong, with the trailing 12-month par-weighted default rate of 2 percent, well below the 20-year average of 3.5 percent. The distress rate remains modest, and we expect defaults to stay subdued.

By Thomas Hauser and Ravi Tamboli

AI and datacenter supply represented about 20 percent of quarterly issuance and is expected to remain robust in the back half of the year.

Technology's Share of the High Yield Index Has Increased in Recent Quarters

ICE BofA U.S. High Yield Master II Constrained Index



Source: Guggenheim Investments, ICE BofA. Data as of 6.30.2026. Note: Technology includes AI and data center debt.

BANK LOANS

Loans Rebound, Dispersion Remains

Supply remains defensive, market supportive of higher rated credits.

Following its first negative quarter in years in the first quarter, the leveraged loan market as measured by the S&P UBS Leveraged Loan Index staged a solid rebound in the second quarter, returning 1.85 percent. This was the index's best quarter in a year, although the dispersion that emerged in the first quarter largely remains. Primary activity was similar to the first quarter's in composition and volume and remains opportunistic.

Sector Commentary

- Consumer sectors led the way in the second quarter, with durables up 4.06 percent and non-durables up 2.79 percent. Technology was the weakest at just 0.04 percent, down 4.11 percent for the year. Isolating for software, the median price of the subsector was slightly higher, but dispersion remains extremely high.
- The average price of the index moved up a quarter point to 94.05. Three-year discount margins tightened by 14 basis points, finishing at an even 500 basis points.
- Only 28 percent of primary activity during the first half of 2026 supported transactions unrelated to refinancing, extension, or repricing. This level is in line with 2025 and remains suppressed: the pre-COVID level was around 50 percent.
- Second quarter volume was similar to the first quarter at $224 billion compared to $241 billion, heavily weighted toward opportunistic (non-M&A/LBO) activity at 73 percent.

Investment Themes

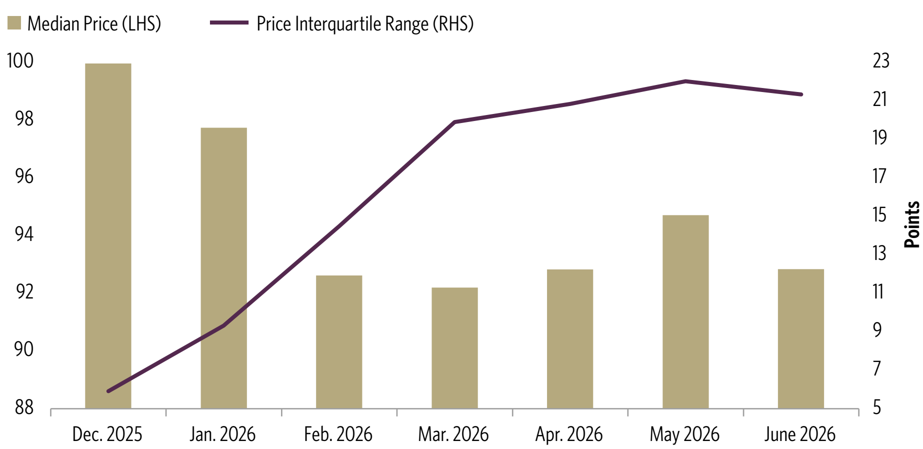
- Market participants continue to differentiate between high-rated and "AI-insulated" issuers, as evidenced by the 90 basis point new-issue spread premium between B- and B-flat issuers, the highest level since the outbreak of COVID. The dispersion seen in the tech sector also underlines this dynamic.
- Our base case is for volatility to persist as the market will need to work to refinance $140 billion of the lowest rated issuance maturing before the end of 2028 and as liability management exercises continue to erode first lien recoveries. Technology issuers make up more than half of this cohort.
- In terms of positioning, we maintain our up-in-quality bias given the tail risk in the market. For businesses we view as insulated from some of these risks with appropriate capital structures, we continue to look to add to positions on weakness.

By Thomas Hauser, Alastair McKeever, and Brian McAuliff

Technology loans have delivered the weakest performance this year, down 4.1 percent and essentially flat for the quarter. Within software, price dispersion remains extremely high even as the median price modestly improved quarter over quarter.

While the Median Price of Tech in Software Was Flat, Dispersion Is High

Leveraged Loan Index Software Median Price vs Interquartile Range



*Interquartile range is the difference between 3rd quartile and 1st quartile breakpoints. Source: S&P UBS Leveraged Loan Index. Data as of 6.30.2026.

PRIVATE DEBT

Reset May Enhance Long-Term Risk-Adjusted Returns

Disciplined lenders will be well positioned to capitalize on the recent direct lending reset.

Direct lending activity slowed to a nearly three-year low in the second quarter as market volatility, geopolitical uncertainty, and retail outflows curbed sponsor deal flow and buyout financing. The backdrop is nonetheless producing a healthier lending environment: spreads have widened 25–50 basis points, leverage is showing signs of pulling back, and documentation standards are improving across the market. This reset may be constructive over the mid- to longer term for investors seeking stronger risk-adjusted returns.

Sector Commentary

- Direct lenders provided an estimated $45.2 billion of new loans in the three months to May 31, the weakest since the second quarter of 2023 and down 40 percent from the first quarter this year. Deal count fell to 184 transactions, a 16 percent quarterly decline.
- Sponsor-backed activity followed suit, with volume of $28.9 billion and 102 transactions, both multiyear lows. Year to date, sponsor volume is down 25 percent and deal count down 16 percent.
- Buyout financing was hardest hit, falling to $15.6 billion from $23 billion in the first quarter, as AI-driven concerns weighed on software valuations and non-traded business development company redemptions rose.
- New origination spreads have moved out 25–50 basis points, with recent LBOs averaging Secured Overnight Financing Rate (SOFR)+490 basis points vs. SOFR+474 basis points in the first quarter, alongside modestly higher original issue discount debt.

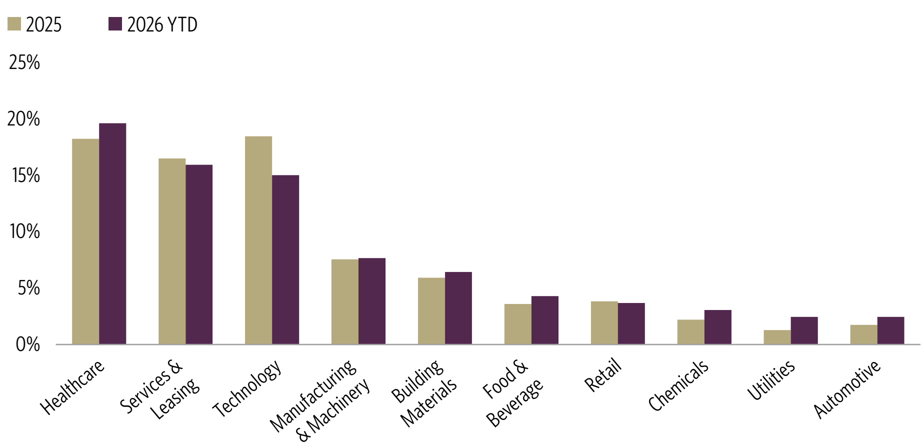
Investment Themes

- Newly originated senior paper may provide stronger pricing compared to similar deals originated in late 2024 and 2025, as spread widening, lower leverage, and tighter documentation may help to improve the risk-adjusted return.
- We are seeing borrowers in the healthcare sector take volume from software deals, earning the top spot in institutional issuance for the first time since 2015. These deals have the scale and cash flow characteristics well-suited to direct lending structures.
- The market is trimming software exposure and demanding tighter terms on remaining names, given AI-disruption concerns, softer broadly syndicated loan sponsorship, and scarcer refinancing options for weaker credits.

By Joe McCurdy and Mark Pridmore

We are seeing borrowers in the healthcare sector take volume from software deals, earning the top spot in institutional issuance for the first time since 2015. The market is trimming software exposure and demanding tighter terms on remaining names.

Pullback in Direct Lending Software Issuance



Source: Guggenheim Investments, LCD Pitchbook. Data as of 5.31.2026.

ASSET-BACKED SECURITIES AND CLOS

Opportunities in Select Subsectors

Attractive relative value and healthy credit fundamentals in ABS and CLOs.

While ABS credit spreads tightened over the quarter as broader markets rallied, the spread pickup relative to investment-grade corporates is in its 57th percentile, representing reasonable relative value opportunities. Supply should be strong this year, with year-to-date gross issuance of $193 billion exceeding last year's record pace. In CLOs, a rebound in risk sentiment during the second quarter lowered borrowing costs, driving significant refinancing activity. Tail risks remain and should increase volatility and manager performance dispersion in lower rated CLO tranches.

Sector Commentary

- **ABS:** New commercial ABS issuance has been concentrated in aircraft, digital infrastructure, and franchise whole business deals. Aviation ABS issuance through the second quarter has already exceeded full-year 2025 levels, with elevated supply met by strong demand as a multi-year shortage of planes and strong passenger traffic help support collateral values. Issuance of fiber network-backed deals has also increased across both residential and enterprise issuers as companies seek to diversify funding sources away from traditional corporate markets. We expect data center issuance to remain elevated to fund the secular digital infrastructure build-out.
- **CLOs:** CLO spreads tightened during the quarter. Bank loan prices stabilized as the market continued to differentiate the credit risk associated with AI disintermediation and as Middle East tensions eased. As a result, overcollateralization ratios improved, while exposure to low rated and stressed collateral declined quarter over quarter.

Investment Themes

- **ABS:** We favor senior commercial ABS backed by durable, cash-generating assets, including franchise royalties, fiber networks, and aircraft. Within consumer ABS, we see value in select subsectors such as home improvement loans. In digital infrastructure, we remain selective as heavy capital spending drives elevated issuance and new capacity. We are focused on collateral quality, supply-demand dynamics, and the impact of technological change on legacy assets.
- **CLOs:** Attractive relative value and healthy credit fundamentals support our view that CLOs offer compelling investment opportunities, especially for AAA–BBB rated tranches. In the near term, we expect the market to approach BB and equity CLO tranches tentatively as it digests idiosyncratic risks from the software sector and the Middle East conflict. The cautious sentiment should dampen new CLO creation in the near term while managers focus on refinancing deals with relatively higher borrowing costs.

By Karthik Narayanan, Michael Liu, and Scott Kanouse

New commercial ABS issuance has been concentrated in aircraft, digital infrastructure, and franchise whole business deals. Aviation ABS issuance through the second quarter has already exceeded full-year 2025 levels.

Top-Issuing Commercial ABS Subsectors Are Outpacing Last Year's Issuance

Source: Guggenheim Investments, J.P. Morgan. Data as of 7.3.2026.

COMMERCIAL MORTGAGE-BACKED SECURITIES

Firm Bid, Softer Underwriting

We favor senior CMBS amid loosening underwriting standards.

Strong non-Agency CMBS performance in the second quarter was driven by senior floating-rate paper, including single asset-single borrower (SASB) and commercial real estate (CRE) CLOs. While market technicals remain constructive, we are seeing a clear loosening in new issue credit metrics: SASB leverage has risen sharply from a year ago, and CRE CLO business plans have skewed increasingly toward lease-up strategies. We continue to favor senior, credit-enhanced exposure in CRE CLOs and SASB, backed by institutional sponsors and diversified collateral pools.

Sector Commentary

- Non-Agency CMBS issuance is tracking at a post-Global Financial Crisis (GFC) high with over $97 billion year to date, on pace to exceed our full year forecast of $180 billion. Issuance continues to be led by floating-rate SASB transactions ($36 billion), followed closely by CRE CLO transactions ($27 billion).
- Record fixed-annuity sales ($317 billion in 2025) and investment-grade inflows of $300 billion year to date—the most in seven years—should support strong demand for higher-quality CMBS, which continues to offer attractive all-in yields.
- Legacy credit continues to weigh on investor sentiment: only 57 percent of conduit loans scheduled to mature thus far this year have paid off, well below historical norms of 75 percent. Meanwhile, only 28 percent of the roughly $85 billion SASB maturing balance had been refinanced.
- The backlog of specially serviced loans continues to build as resolution timelines have extended, underscoring the need for active surveillance.

Investment Themes

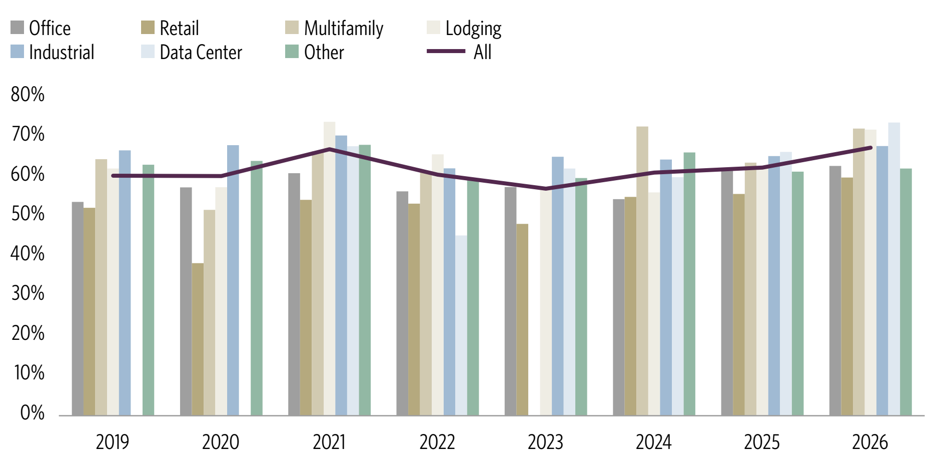
- Credit dispersion is evident in the CMBS market, where losses on investment-grade bonds (including those originally rated AAA) have been realized in recent years. Careful security selection and active portfolio management remain critical.
- Credit issues continue to plague corners of the CRE market, including various office submarkets and poorly positioned lodging properties. Lower quality CMBS— including many conduit mezzanine bonds and other higher-beta names—remains at risk of meaningful underperformance.
- Traditional credit structuring and underwriting remain our focus across markets and property types. We prefer credit-enhanced CMBS collateralized by high quality and diverse collateral and supported by capable sponsors, especially in the CRE CLO and SASB markets. We also favor multifamily-related CMBS credit.

By Tom Nash, Hongli Yang, and Zach Johnson

Aggregate SASB leverage rose more than four points year over year, with the largest step-ups appearing in lodging and multifamily collateral. Rising origination loan to value (LTV) ratios, even while legacy loans remain unresolved, is characteristic of late-cycle underwriting behavior, and reinforces the case for concentrating exposure in senior, credit-enhanced structures.

SASB Leverage Has Stepped Up Sharply in 2026

Weighted Average LTV by Origination Year and Property Type



Source: Guggenheim Investments, J.P. Morgan. Data as of 6.30.2026.

NON-AGENCY RESIDENTIAL MORTGAGE-BACKED SECURITIES

Resilient Through Volatility, Vigilant on Risk

Senior positioning favored in an uncertain macroeconomic backdrop.

Geopolitical tensions in the Middle East and their ripple effects on oil prices reignited inflation concerns, pushing rates higher and spreads wider. The RMBS market weathered the initial volatility. Continued activity and issuance are a testament to the sector's stable conditions, supported by tight lending standards, substantial home equity cushions, and labor market strength—all of which reinforce steady mortgage credit performance. However, the possibility of Middle East tensions re-escalating remains a risk for rates and broader markets.

Sector Commentary

- The 30-year fixed mortgage rate briefly dipped below 6 percent for the first time since September 2022 before climbing to 6.53 percent on global tensions. The rate ended the quarter at 6.43 percent.
- Spreads widened before recovering to near year-end 2025 levels. Non-qualified mortgage (non-QM) AAA spreads widened from 130 basis points at year-end 2025 to 140 basis points before tightening back to 130 basis points by quarter end.
- Second quarter new-issue volume eased to $60 billion from the first quarter but remained 20 percent above the prior year's level. Issuance for 2026 is expected to exceed 2025's total and remain on pace for a post-GFC record despite elevated rates and periodic spread widening.

Investment Themes

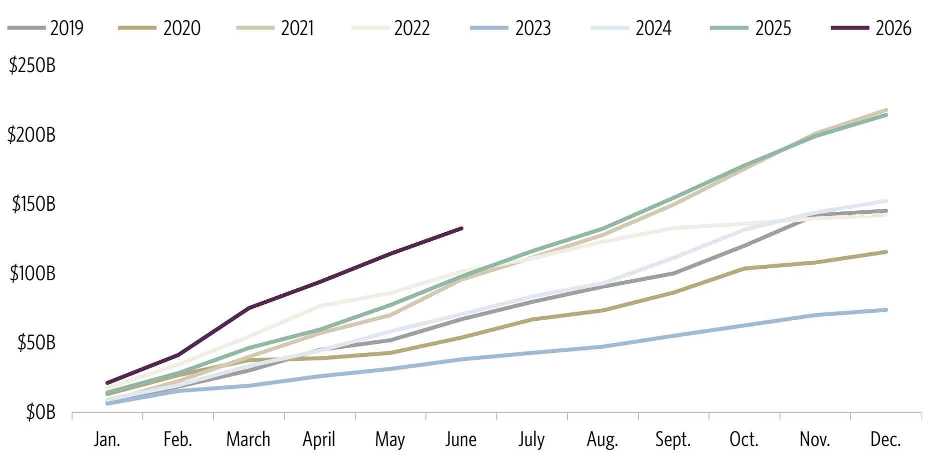
- Current market conditions reinforce our conviction to stay senior in the RMBS capital structure. Senior tranches benefit from structural subordination and short two- to four-year average maturities, offering a defensive profile against both credit and market risk.
- Non-Agency mortgages further complement this positioning, carrying lower prepayment risk than Agency MBS with structural features that limit credit and extension risk, while potentially offering stable return profiles and attractive carry income.
- We continue to see opportunities in investment-grade tranches (rated AAA–A) from non-QM transactions and senior securities from closed-end second lien and home equity line of credit transactions. Yields of 5.35–5.90 percent and expected average maturities of three to four years offer a more compelling risk-adjusted profile than A-rated corporate bonds in today's tight spread environment.

By Karthik Narayanan and Roy Park

Issuance for 2026 is expected to exceed 2025's total and remain on pace for a post-GFC record despite elevated rates and periodic spread widening.

Issuance in 2026 Continues at a Post-GFC Record Pace

NA RMBS Gross Issuance in $B by Year (2019–2026)



Source: Guggenheim Investments, Bank of America Global Research. Data as of 7. 2.2026.

AGENCY MORTGAGE-BACKED SECURITIES

Carry-Driven Returns Amid an Asymmetric Backdrop

We favor par coupon bonds, where attractive yields can offset modest spread widening.

Agency MBS has posted modest year-to-date gains, with the Bloomberg U.S. MBS Index delivering 1.01 percent total return and 0.45 percent excess return. Spreads have proven resilient despite the bear flattening, supported by weak net issuance and healthy demand for structured cash flows. We view the sector as a defensive carry vehicle, though near-term risks may outweigh rewards given that the Merrill Lynch Option Volatility Estimate Index is near recent lows, and various latent catalysts suggest a higher volatility environment.

Sector Commentary

- Agency MBS spreads held firm as the yield curve flattened during the second quarter. The data-dependent Fed pivot should raise the floor on rate volatility, but that has yet to manifest, keeping the carry trade alive and well for now, albeit with added risks on the horizon.
- Several factors—including a more data dependent Fed, low implied rate volatility, a flatter yield curve compressing bank net interest margins, and latent macro risks such as the weakening yen and Middle East tensions—skew the risk/reward profile to the downside.
- Despite this, ongoing government-sponsored enterprise support, persistently weak net issuance, and strong fund inflows have kept a lid on any episodes of spread widening. The muted reaction also reflects interest rate volatility concentrated around key economic data releases, with minimal realized volatility between those events.

Investment Themes

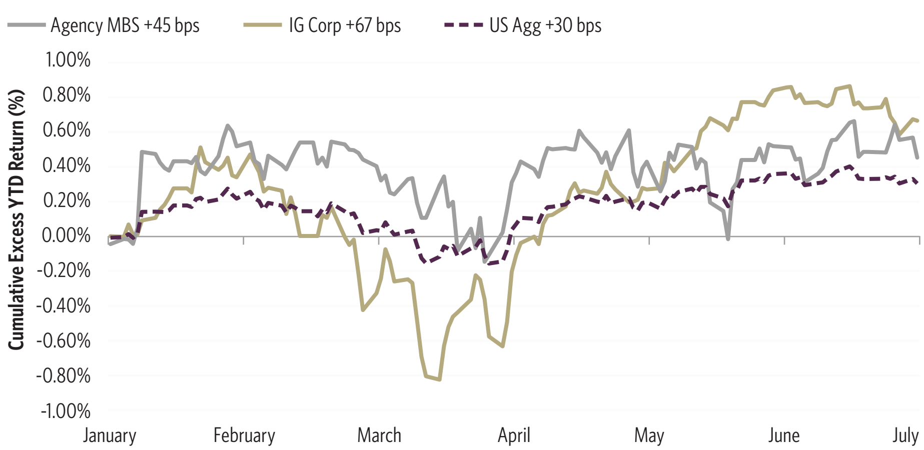
- A flatter yield curve is a mixed signal for Agency MBS. The bear flattening reallocates rather than eliminates the embedded cost of the homeowners' prepayment option: As prepayment risk declines, extension risk increases, benefiting premium-priced Agency MBS, hurting discounted securities, and leaving 5.0–6.0 percent production coupons most exposed to duration whipsaw risk.
- Carry is doing the heavy lifting. We favor par coupon bonds, where attractive yields can offset modest spread-widening events. Agency MBS has lagged investment-grade corporates recently, so a rotation out of investment grade could be an eventual tailwind, though a downturn in global equities is likely required for that to materialize.
- On the defensive side, 15-year par coupons now out-yield collateralized mortgage obligation floaters. It would take two Fed hikes to reverse this dynamic, and the shift may pull bank demand out of floaters and into 15-year fixed bonds.

By Louis Pacilio

Agency MBS has posted modest year-to-date gains, with the Bloomberg U.S. MBS Index delivering 1.01 percent total return and 0.45 percent excess return.

While Lagging Investment Grade, Agency MBS Has Posted Modest Gains

Cumulative Excess Returns (2026)



Source: Guggenheim Investments, Bloomberg. Data as of 6.30.2026.

MUNICIPAL BONDS

Some Negative Trends Call for Defensive Positioning

Tight valuations and poor fundamentals going into the latter half of the third quarter.

Tax-exempt municipal bond valuations remain tight as steady demand from retail investors has more than offset supply growth. The AAA tax-exempt curve flattened by 18 basis points during the second quarter. Tight valuations and a lack of positive credit catalysts makes defensive positioning appropriate.

Sector Commentary

- Tax-exempt/Treasury yield ratios finished the second quarter below where they stood at the end of the first quarter. Ratios are 62/67/86 percent in 5/10/30-year tenors, respectively, a parallel shift downward of 5 percentage points versus March 31 levels. The AAA tax-exempt slope from 1–30 years flattened 18 basis points during the quarter, lagging the 32 basis points of flattening in the Treasury curve, and indicating some marginal relative value in long-dated tax exempts.
- Taxable municipal spreads tightened 4 basis points during the second quarter, failing to keep pace with 6 basis points of tightening in investment-grade corporates. Supply remains low year to date, down 3 percent to $18 billion and comprising just 6 percent of total municipal issuance. The light primary calendar continues to provide a technical tailwind for taxable spreads.

Investment Themes

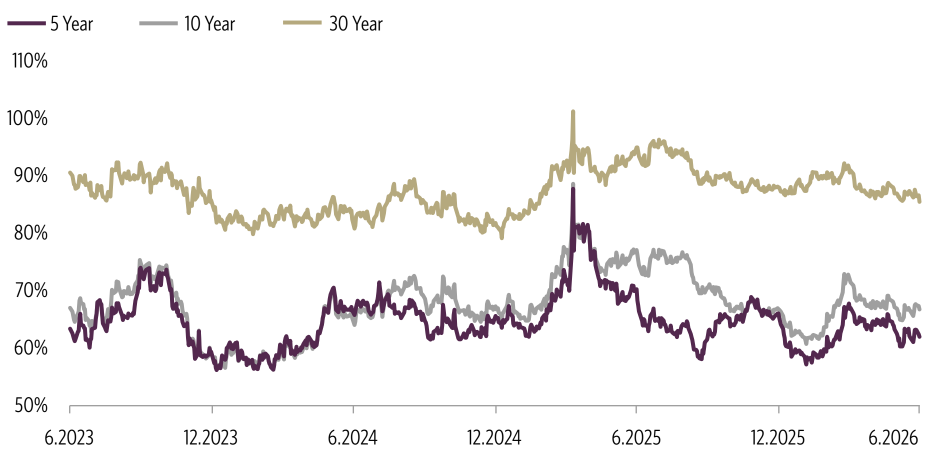
- Consistent demand from separately managed accounts and steady inflows into mutual funds and ETFs have supported tax-exempt valuations for most of 2026, despite geopolitical events and Treasury volatility. Based on seasonal patterns, technicals turn bearish toward the end of the summer. We believe a defensive posture is appropriate going into the latter half of the third quarter.
- At Standard and Poor's, negative outlook revisions continue to exceed positive revisions, implying more downgrades than upgrades for the next six–12 months. We expect negative credit trajectories to continue.
- The depletion of COVID-era stimulus funding and a decline in school age population have led to large gaps in school district budgets. To date, districts have laid off mostly administrative positions and eliminated unfilled positions. Due to the fixed labor costs, school districts will require supplemental funding at the local level or from other governmental entities to avoid structural deficits.

By Allen Li and Michael Park

Tax-exempt/Treasury yield ratios finished the second quarter below where they stood at the end of the first quarter. Ratios are 62/67/86 percent in 5/10/30-year tenors, respectively, a parallel shift downward of 5 percentage points versus March 31 levels.

Muni/Treasury Yield Ratios Declined in Q2

AAA Muni/Treasury Yield Ratios



Source: Guggenheim Investments, LSEG. Data as of 6.30.2026.

REAL ASSETS

Driven by AI, Energy Security, and Capital Rotation

Real assets continue to benefit from durable secular tailwinds.

Real assets remain well positioned entering the second half of 2026, supported by powerful secular trends including AI infrastructure investment, electrification, energy security, grid modernization, manufacturing reshoring, and global supply chain realignment. While interest rate volatility remains a consideration, institutional capital continues to seek high quality, contracted assets capable of generating resilient cash flows and inflation protection. Commercial real estate fundamentals are stabilizing and lifting in most property types to inflation-or-better growth in market rents and net operating income, with accelerated growth generally expected in 2027.

Sector Commentary

- Infrastructure activity remains resilient, with capital increasingly focused on contracted, inflation-linked, cash-flowing assets amid macro and geopolitical uncertainty.
- The unprecedented capital required to support AI—including data centers, electric transmission, power generation, fiber networks, and cooling infrastructure—is creating one of the largest infrastructure investment cycles in decades.
- Behind the meter opportunities are becoming more prevalent as a way of addressing AI-driven demand needs more quickly, avoiding the long lead times and substantial infrastructure upgrades and enhancements required for new generation to be grid interconnected.
- Refinancing activity continues to dominate, with a significant volume of infrastructure and real estate debt maturing through 2027–2028.
- Commercial real estate recovery remains bifurcated, with strong fundamentals in senior housing, retail, lodging, industrial, and logistics, stabilization in multifamily, and continued pressure in select office markets and vintages.

Investment Themes

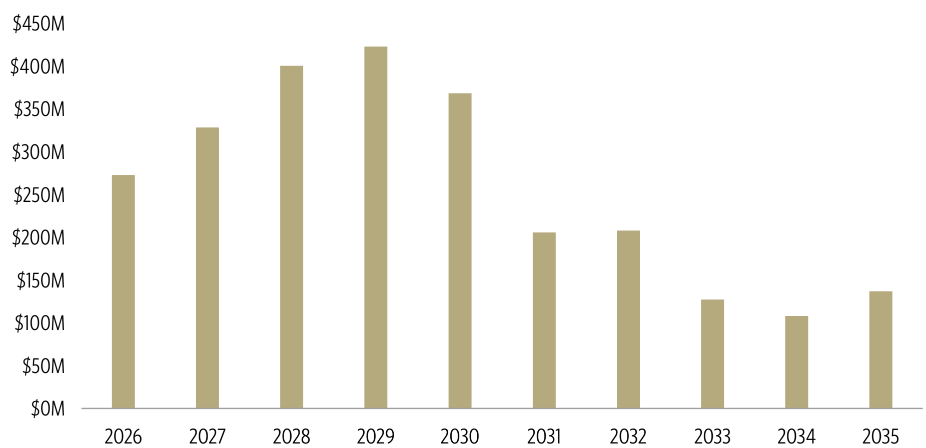
- AI and electrification are accelerating infrastructure demand, particularly across data centers, power generation, battery storage, and transmission networks, requiring both grid-connected and behind-the-meter solutions.
- Geopolitical conflict is reinforcing energy and resource real assets, including liquid natural gas pipelines and strategic land tied to energy and agriculture.
- Reshoring and supply chain security continue to drive investment in U.S. industrial real estate, logistics hubs, ports, and transportation infrastructure.
- Real estate capital markets remain resilient with significant debt availability. Despite a competitive lending environment, underwriting standards remain in place with more conservative pro formas and structural protections.
- Real estate sales activity is increasing with owners starting to capitulate to the higher-for-longer rate environment and special servicing becoming more active, creating compelling opportunities with valuations still below peak averages.

By John Tanyeri

Refinancing activity continues to dominate, with a significant volume of infrastructure and real estate debt maturing through 2027–2028.

Global Infrastructure and Real Debt Maturities Are Expected to Peak in 2029

Global Debt Maturing Next 10 Years



Source: Guggenheim Investments, InfraLogic. Data as of 12.31.2025. Historical view 1.2021–12.2025.

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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.

One **basis point** is equal to 0.01 percent. Likewise, 100 basis points equals 1 percent. **Beta** is a statistical measure of volatility relative to the overall market. A positive beta indicates movement in the same direction as the market, while a negative beta indicates movement inverse to the market. Beta for the market is generally considered to be 1. A beta above 1 and below -1 indicates more volatility than the market. A beta between 1 to -1 indicates less volatility than the market. **Carry** is the difference between the cost of financing an asset and the interest received on that asset. **Duration** is a measure of sensitivity of a price of a bond to a change in interest rates. In general, the higher the duration, the more the bond's price will change with interest rate movements. **Hyperscalers** are large-scale cloud service providers that offer highly scalable and flexible computing infrastructure to businesses and organizations.

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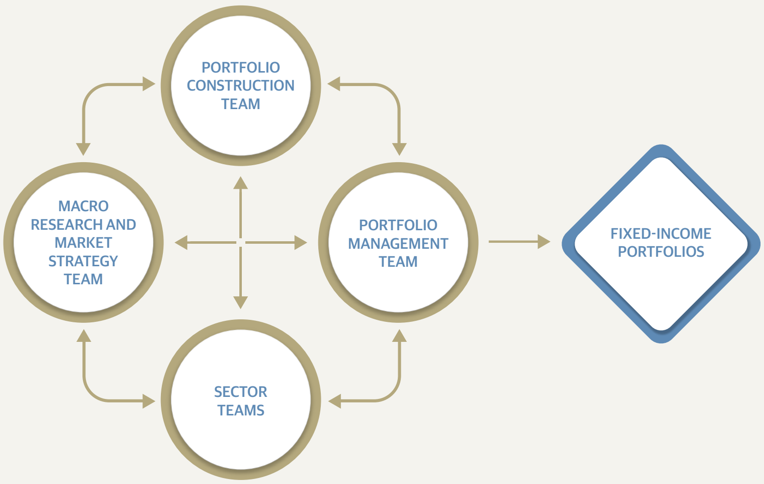

Guggenheim Investments

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For more information, visit GuggenheimInvestments.com.

1. Total Assets are as of 3.31.2026 and includes $246.4B in Assets Under Management (AUM), plus $115.8B Assets Under Supervision (AUS) for a total of more than $362B. AUM includes leverage of $14.6B. AUS includes assets for which GI provides non-advisory services and may include review, analysis, research, reporting, sourcing and evaluation of assets, and business operations consulting. Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Wealth Solutions, LLC, Guggenheim Private Investments, LLC, Guggenheim Investments Loan Advisors, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, and GS GAMMA Advisors, LLC.

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