

DIVIDEND-PAYING DOMESTIC STOCKS FOR PORTFOLIO DIVERSIFICATION—

An Opportunity for Income with an Eye on Inflation

The recent recession provides a reminder of the potential virtues of portfolio diversification. The components of a well-diversified portfolio may include an array of aggressive, growth, growth and income, and income strategies allocated to an investor’s specific risk tolerance and investment goals.

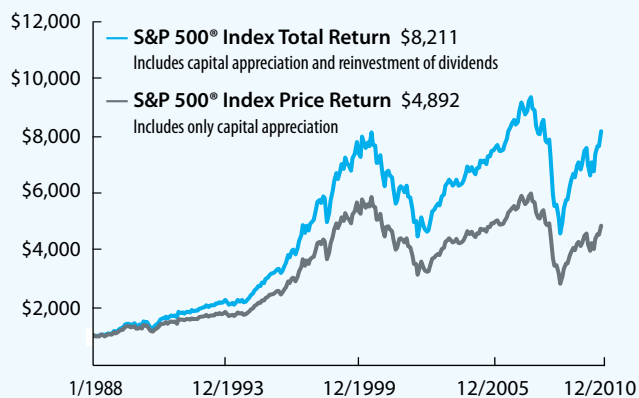
While income-oriented investments have generally been thought of as strategies for conservative investors, recent market volatility has elevated their appeal to many investors. Of the different types of income investment opportunities available, investors may want to consider the potential advantages of dividend-paying domestic stocks.

A Tax-Advantaged Story of Total Return

Historically, dividends accounted for a significant portion of the domestic stock market’s total return. For example, for the nearly 23-year period ended 12/31/10, the S&P 500 Index’s total return—including both capital appreciation and the reinvestment of dividends—outperformed its price return* by approximately 332%. That outperformance becomes even more significant when considering the S&P 500 Index is not generally viewed as an index comprised of dividend-paying companies.

In addition to their contribution to the domestic stock market’s total return, dividends’ appeal is heightened by current tax treatment. Through 2011, the maximum tax rate on qualifying stock dividends is 15% for most investors, which compares favorably with ordinary income tax rates that can reach 35% for interest income.

TOTAL VS. PRICE RETURN OF THE S&P 500 INDEX 1/29/1988 - 12/31/2010



Source: Bloomberg, 2010. Figures based on a \$1,000 initial investment.

Past performance is no guarantee of future results. The charts shown herein are for illustrative purposes only; they are not meant to forecast, imply or guarantee the future performance of any Guggenheim Funds product. See page 2 for index definitions. Indexes are unmanaged and it is not possible to invest directly in an index.

*Includes only capital appreciation

Potential Diversification Throughout the Market Cycle

Dividend-Paying vs. Non-Dividend Paying Stocks

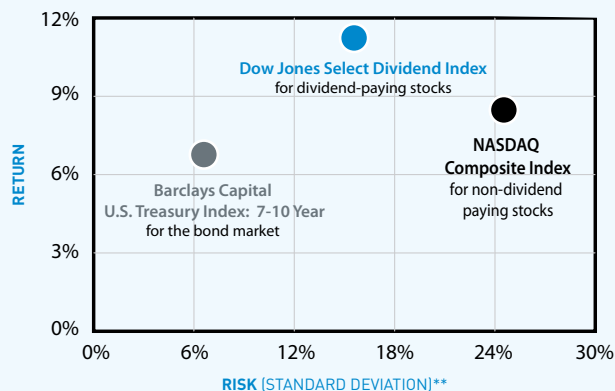
Dividend-paying domestic stocks may also offer important diversification benefits. Compared to non-dividend paying domestic stocks, dividend-paying issues historically provided better risk-adjusted performance. Plus, the income from dividend-paying stocks may help investors better weather different market cycles as follows:

- During down market periods, if a stock pays dividends, the dividends may offer a source of income for investors.
- Alternatively, during up markets, dividends may be reinvested for increased return potential of a portfolio.

Dividend-Paying Stocks vs. Fixed-Rate Bonds

For the time period of 12/31/91 through 12/31/10, dividend-paying domestic stocks historically provided an opportunity for greater returns compared to fixed-rate bonds, but that outperformance may have come with greater volatility. However, the trade-off between risk and return may have been offset by the potential inflation hedge presented by dividends. As corporate revenues and earnings generally rise during inflationary periods, investors may benefit if dividend-paying companies increase their dividend payments. Conversely, fixed-rate bonds’ future cash flows can be eroded by the rising interest rates that generally accompany inflation.

RISK AND REWARD COMPARISON: BONDS, DIVIDEND-PAYING DOMESTIC STOCKS AND NON-DIVIDEND PAYING DOMESTIC STOCKS 12/31/1991-12/31/2010



Source: Zephyr StyleADVISOR. **Standard deviation is a statistical measurement that depicts how widely returns vary over a given period of time. The measurement is generally used to understand the range of returns that are most likely for a given investment. Generally, a higher standard deviation indicates a more risky investment.

The table to the right compares the risk/return characteristics of various market indexes representing different asset classes. The NASDAQ Composite Index—which primarily tracks technology companies—represents non-dividend paying companies as technology companies generally don’t pay dividends. See page 2 for index definitions. Indexes are unmanaged and it is not possible to invest directly in an index.

A Timely Opportunity

The current income levels provided by stocks may present investors with additional reasons to include dividend-paying domestic stocks within their allocations such as:

- From a historical perspective, the income level currently provided by stocks relative to bonds is attractive.
- Dividend-paying domestic stocks may offer investors an opportunity to “get paid to wait”—the potential to earn dividend income until stock valuations recover during down market periods and offer the prospect for capital gains.

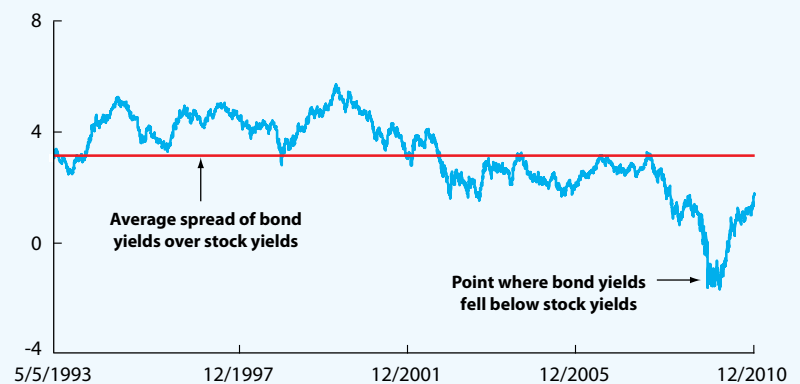
There is no guarantee that above trends and projections will continue or will be profitable.

From May 1993 through December 2010, bond yields outpaced stock yields by an average of 3.04%. In May 2009, that relationship reversed and stock yields took the lead as the result of depressed stock prices. Since that time, improving stock prices helped push bond yields ahead of stocks once again, but stock income remains attractive relative to historic levels.

Adding Dividend-Paying Domestic Stocks to Your Portfolio

For a well-diversified approach to dividend-paying stocks, consider investment products that offer exposure to different market sectors and/or security types. While a strategy concentrated in one sector may offer greater income potential, it may also expose your portfolio to significant risks. For example, financial stocks—historically, the highest paying dividend stocks—were among the hardest hit sectors in the recent recession and are experienced some of the larger dividend cuts.

HISTORICAL YIELD SPREAD OF 10-YEAR TREASURY BONDS OVER THE S&P 500 INDEX AS OF 12/31/2010



Source: Bloomberg. **Past performance is no guarantee of future results.** The above chart is for illustrative purposes only; it is not meant to forecast, imply or guarantee the future performance of any Guggenheim Funds product. See below for index definitions. Indexes are unmanaged and it is not possible to invest directly in an index.

TALK TO YOUR FINANCIAL PROFESSIONAL TO DETERMINE WHETHER DIVIDEND-PAYING DOMESTIC STOCKS HAVE A PLACE IN YOUR PORTFOLIO.

FOR INFORMATION ON INVESTMENT PRODUCTS OFFERING EXPOSURE TO DIVIDEND-PAYING DOMESTIC STOCKS, VISIT WWW.GUGGENHEIMFUNDS.COM.

INDEX DEFINITIONS The **S&P 500 Index** is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad economy, representing all major industries. The **Dow Jones U.S. Select Dividend Index** reflects the performance of 100 leading U.S. dividend paying companies. The **Barclays Capital U.S. Treasury 7-10 Year Index** includes public obligations of the U.S. Treasury and excludes state and local government series bonds and U.S. Treasury TIPS. The **Nasdaq Composite Index** is a market-value weighted index of all common stocks listed on the Nasdaq and is used to mainly track technology stocks.

RISK CONSIDERATIONS **Past performance does not guarantee future results.** The illustration is not representative of any Guggenheim Funds product. There are risks associated with investing, including the entire loss of principal you invest. **Investments in stocks entail risk.** The value of your investment may fall over time. Market value fluctuates in response to various factors. These can include stock market movements,

purchases or sales of securities by a trust, government policies, litigation, and changes in interest rates, inflation, the financial condition of the securities' issuer or even perceptions of the issuer. **Share prices or dividend rates on the securities in a portfolio may decline during the life of the portfolio.** There is no guarantee that the issuers of the securities will declare dividends in the future and if declared, whether they will remain at current levels or increase over time.

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