
Methodology

Guggenheim RBP® SMID-Cap Aggressive Index

Guggenheim RBP® SMID-Cap Market Index

Guggenheim RBP® SMID-Cap Defensive Index

Introduction

The Guggenheim RBP® SMID-Cap Aggressive IndexSM (“Aggressive Index”), Guggenheim RBP® SMID-Cap Market IndexSM (“Market Index”) and Guggenheim RBP® SMID-Cap Defensive IndexSM (“Defensive Index”) are part of the Guggenheim RBP® SMID-Cap Directional IndexesSM—a family of indexes offered by Guggenheim Investments Indexes using rules-based, published analytics. Components of the Guggenheim Investments indexes 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. Additional documentation describing the RBP® methodology and quantitative evaluation process is available at rbpinstitute.com.

Index Universe

The index universe includes the components in the Dow Jones U.S. Mid-Cap Total Stock Market IndexSM and the Dow Jones U.S. Small-Cap Total Stock Market IndexSM that pass liquidity screens and have RBP® probabilities.

Liquidity Screens

Stocks are selected for the Guggenheim RBP® SMID-Cap Directional IndexSM based on the following steps:

For a stock to be eligible for selection to the index, it must pass the following liquidity screens to be part of the Liquid Universe:

- Stocks require an RBP® Probability.
- Stocks with free float of less than 50% are deemed ineligible.
- Stocks with a price of \$3 or less for two consecutive quarters are deemed ineligible.
- Stocks with a six-month average daily trading volume of less than 250,000 shares for two consecutive quarters are deemed ineligible.
- Stocks with a six-month average daily trading value of less than \$5 million for two consecutive quarters are deemed ineligible.

Guggenheim Investments calculates the RBP® probability for each company and S&P Dow Jones Index calculates a 12-month beta value and a 6-month total return for each stock in the universe.

Index Construction

Guggenheim RBP® SMID-Cap Market IndexSM

- The stocks with RBP® probabilities greater than bottom 20 percent of the Liquid Universe are eligible.
- The 400 stocks with beta values closest to one are selected to be the Eligible Universe.
- The Dow Jones U.S. Small-Cap Total Stock Market IndexSM Industry Group weights are identified as target weights.
- Calculate Industry Group ratios for components in the index.
- From the Eligible Universe, select the highest RBP® probability stock from the Industry Group that has the lowest Industry Group ratio and

assign weight to the component. If the Industry Group that has the lowest ratio does not have any company left in the Eligible Universe, the highest RBP® probability stock from the Industry Group with the second lowest ratio is selected, and so forth.

- Repeat step 4 and 5 until the index has 100 stocks and the selection process is complete.

Guggenheim RBP® SMID-Cap Aggressive IndexSM

- The stocks with RBP® probabilities greater than bottom 20 percent of the Liquid Universe are eligible.
- The stocks with beta values greater than one are selected.
- Exclude 10% of the eligible stocks with highest beta and the remaining stocks are selected to be the Eligible Universe.
- The Dow Jones U.S. Small-Cap Total Stock Market IndexSM Industry Group weights are identified as target weights.
- Calculate Industry Group ratios for components in the index.
- From the Eligible Universe, select the highest RBP® probability stock from the Industry Group that has the lowest Industry Group ratio and assign weight to the component. If the Industry Group that has the lowest ratio does not have any company left in the Eligible Universe, the highest RBP® probability stock from the Industry Group with the second lowest ratio is selected, and so forth.
- Repeat step 5 and 6 until the index has 100 stocks and the selection process is complete.

Guggenheim RBP® SMID-Cap Defensive IndexSM

- The stocks with RBP® probabilities greater than bottom 20 percent of the Liquid Universe are eligible.
- The stocks with beta values less than one are selected to be the Eligible Universe.
- The Dow Jones U.S. Small-Cap Total Stock Market IndexSM Industry Group weights are identified as target weights.
- Calculate Industry Group ratios for components in the index.
- From the Eligible Universe, select the highest RBP® probability stock from the Industry Group that has the lowest Industry Group ratio and assign weight to the component. If the Industry Group that has the lowest ratio does not have any company left in the Eligible Universe, the highest RBP® probability stock from the Industry Group with the second lowest ratio is selected, and so forth.
- Repeat step 4 and 5 until the index has 100 stocks and the selection process is complete.

Buffer

To limit unnecessary turnover, a buffer rule combining RBP® probabilities and six-month total returns is used. Current components of Guggenheim RBP® SMID-Cap Directional IndexesSM would stay in the indexes if one of the following conditions is satisfied at quarterly review:

- RBP® probability of a component is greater than the median RBP® probability of the Liquid Universe, OR
- Six month total return of the component is greater than the six month total return of respective index it belongs to AND RBP® probability is greater than the bottom 20% of the Liquid Universe.
- September review only:
 1. Component must belong to the [Liquid Universe in the Dow Jones U.S. Mid-Cap Total Stock Market IndexSM and the Dow Jones U.S. Small-Cap Total Stock Market IndexSM](#), [Dow Jones U.S. Large-Cap Total Stock Market IndexSM](#).
 2. Component's beta must belong to proper beta group, i.e.
 - i. Component must be among 400 companies with beta closest to 1 to be eligible to remain in the Market Index.
 - ii. Component must be among companies with beta less than 1 to be eligible to remain in the Defensive Index.
 - iii. Component must be among companies with beta more than 1 AND NOT to be among the 10% of companies with the highest beta to be eligible to remain in the Aggressive Index.

Weighting

Maximum weight is capped at 3% for all components in the Indexes.

In September, all Guggenheim RBP® SMID-Cap IndexesSM are weighted based on the RBP® probability scores.

In March, June and December, the components that remain in the index would carry the existing weights if they are below the maximum. If not, they are capped at the maximum or the maximum weight, whichever is lesser. The new components selected to each index would take the remaining weight in the index weighted among themselves based on RBP® probability scores, unless the component did not pass the original buffer rule but was still selected to the index using the selection rules. In that case, the component will be treated as buffered component for weighting purposes.

Maximum weight for individual component is capped at 3% for 100 component indexes at the time of review.

Review Frequency

The Guggenheim RBP® SMID-Cap Directional Indexes are rebalanced quarterly after the close of third Friday of March, June, September and December. In addition, the indexes are reviewed on an ongoing basis to account for corporate actions such as mergers and de-listings.

Data Availability

Calculation of the indexes began on April 9, 2014. Real index history is available daily from this date forward.

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

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