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## Methodology

# Guggenheim RBP<sup>®</sup> Large-Cap Defensive 100 Index

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## Introduction

The Guggenheim RBP<sup>®</sup> Large-Cap Defensive 100 Index<sup>SM</sup> (“Defensive 100 Index”) is part of the family of indexes offered by Guggenheim Investments using rules-based, published analytics. Components of the index are selected in part based on their RBP<sup>®</sup> probabilities.

RBP<sup>®</sup>, which stands for Required Business Performance<sup>®</sup>, 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<sup>®</sup> 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 universe is the Dow Jones U.S. Large-Cap Total Stock Market Index<sup>SM</sup> (the Universe), which includes the largest 750 components of the Dow Jones U.S. Total Stock Market Index<sup>SM</sup> that have RBP<sup>®</sup> probabilities.

## Index Composition

### Liquidity Screens:

Stocks are selected for the Guggenheim RBP<sup>®</sup> Large-Cap Defensive 100 Index 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<sup>®</sup> 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 value of less than \$20 million for two consecutive quarters are deemed ineligible.

Guggenheim Investments calculates the RBP<sup>®</sup> 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

- The stocks with RBP<sup>®</sup> 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. Large-Cap Total Stock Market Index<sup>SM</sup> Industry Group weights are identified as target weights.
- Calculate Industry Group ratios for components in the index. Industry Group ratio is defined as total Industry Group weights in the portfolio divided by the total Industry Group weights in the benchmark.
- From the Eligible Universe, select the highest RBP<sup>®</sup> probability stock from the Industry Group that has the smallest Industry Group ratio. If the Industry Group that has the lowest ratio does not have any company left in the Eligible Universe, the highest RBP<sup>®</sup> 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® Large-Cap Defensive 100 Index<sup>SM</sup> would stay in the index 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. Large-Cap Total Stock Market Index<sup>SM</sup>.
  2. Component's beta must belong to proper beta group, i.e. Component must be among companies with beta less than 1 to be eligible to remain in the Defensive 100 Index.

## Weighting

Maximum weight is capped at 3% for all components in the Indexes. Any component's weight in excess of the maximum is redistributed pro rata across the whole basket.

In September, the Guggenheim RBP® Large-Cap Defensive 100 Index<sup>SM</sup> is weighted based on the RBP® probability scores.

In March, June and December, the components that remain in the index would carry the existing weights 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.

## Review Frequency

The Guggenheim RBP® Large-Cap Defensive 100 Index is rebalanced quarterly after the close of third Friday of March, June, September and December. In addition, the index is reviewed on an ongoing basis to account for corporate actions such as mergers and de-listings.

## Dissemination

Both the price-return and total-return versions of the Guggenheim RBP® Defensive 100 Index<sup>SM</sup> are disseminated via data vendors every 15 seconds during U.S. stock exchange trading hours. Index licensees also may access data on index values and index constituents through end-of-day dissemination via the S&P Dow Jones Indices FTP site.

The variants of Guggenheim RBP® Large-Cap Defensive 100 Index<sup>SM</sup> that are currently calculated and disseminated are as follows:

Index Code	Index Name
<b>DRLLT1</b>	Guggenheim RBP Large-Cap Defensive 100 Index
<b>DRLLT1T</b>	Guggenheim RBP Large-Cap Defensive 100 Total Return Index

## Launch Date

Calculation of the index began on September 20, 2021. Real index history is available daily from this date forward.

Prior to September 20, 2021, the index history is ported over from the Guggenheim RBP® Large-Cap Defensive Index.

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