

## COST BASIS STATEMENT Q&A FOR THE 2009 TAX YEAR

The following Q&A is designed to answer the most commonly asked questions about your Cost Basis statement.

### Q. WHAT ACCOUNTS ARE ELIGIBLE TO RECEIVE A COST BASIS STATEMENT?

**A.** Non-qualified accounts opened after January 1995 such as Individual, Joint, Trust, UGMA/UTMA and Association/Partnership may be eligible. **In addition, the account must have had exchanges or redemptions in a non-Money Market fund in 2009.**

### Q. HOW DO I READ MY COST BASIS STATEMENT AND WHAT DOES IT SHOW ME?

**A.** Your cost basis statement is a record of any long- or short-term gains or losses generated from the sale or exchange of fund shares during 2009. This statement lists all sale transactions by the fund. The short- or long-term gain or loss for each transaction is listed in the Net Capital Gain/Loss column.

### Q. WHAT METHOD DOES RYDEX USE FOR DETERMINING COST BASIS?

**A.** Rydex calculates cost basis using the average cost — single category method. Under this method, the total cost of shares purchased is determined then divided by the total number of shares owned. This shows the average per share cost of all shares owned.

### Q. ARE REINVESTED DISTRIBUTIONS INCLUDED IN THE COST BASIS CALCULATIONS?

**A.** Yes, reinvested distributions have been included in the cost basis calculations.

### Q. WHAT DOES A "W" NEXT TO A TRANSACTION SIGNIFY?

**A.** Any transaction with a "w" indicates a "wash sale". A wash sale occurs when shares of a fund are sold at a loss AND new shares of that fund are purchased within a 61 day period beginning 30 days before the date of sale and ending 30 days after the date of sale. Reinvested dividends, reinvested capital gains distributions, exchanges and new deposits are all considered a subsequent purchase of shares.

### Q. CAN I STILL CLAIM THE AMOUNT THAT IS A RESULT OF A WASH SALE?

**A.** In wash sale situations, you are not allowed to claim the full loss on your tax return. If the shares purchased within 30 days of the sale are greater than or equal to the shares redeemed, the entire loss is disallowed and you will see a zero in the Net Capital Gain/Loss column. If the purchased shares are less than the shares redeemed, only part of the loss is disallowed. In this situation, the loss amount shown in the Net Capital Gain/Loss column can be claimed.

### Q. CAN RYDEX CALCULATE MY COST BASIS USING A DIFFERENT METHOD?

**A.** No. Rydex can only provide cost basis using the average cost-single category method. However, the information provided in the cost basis statement is NOT provided to the IRS so you may use the method you or your tax advisor deem appropriate.

### Q. WHY DOESN'T THE "CHANGE IN MARKET VALUE" ON MY YEAR-END STATEMENT MATCH THE TOTAL GAIN OR LOSS SHOWN ON MY COST BASIS STATEMENT?

**A.** The "Change in Market Value" reported on your year-end statement is simply the difference between the value of your account as of 1/1/2009 and the value as of 12/31/2009. The Cost Basis Statement calculates the **allowable** gains and losses for each individual exchange and redemption throughout the year. In addition, losses disallowed due to wash sales and unrealized gains or losses may also cause there to be a difference in the 2 amounts.

### **\*NEW for 2009\*** Q. MY CBA STATEMENT SHOWS A TRANSACTION THAT DOES NOT APPEAR ON MY 1099-B. WHAT IS THIS?

**A.** This transaction is a transfer redemption. This transaction can be found on your year end account statement in the activity for the fund and date listed. Also see the next Q&A.

### **\*NEW for 2009\*** Q. MY CBA STATEMENT SHOWS A REDEMPTION WITH A 0.00 GAIN AND 0.00 LOSS, BUT IT'S NOT A WASH SALE. WHAT DOES THAT MEAN?

**A.** This transaction appears if you did a transfer-in-kind out of your account into another account during the tax year. The transaction is for informational purposes only, and does not affect any gain/loss within that fund. This transaction does not represent a sale or exchange of the fund, and is therefore not reportable.

### Q. IS THIS COST BASIS INFORMATION REPORTED TO THE IRS?

**A.** No. The information provided on this statement is for informational use only and is not reported to the IRS. The cost basis statement is provided to assist you in preparing your income tax return. As a taxpayer, it is your responsibility to ensure the accuracy of information provided on your tax return. As always, we strongly recommend that you consult with a tax professional prior to using this information.

Beginning with shares acquired after January 1, 2012 we will be required to provide cost basis accounting. At that time, cost basis will also begin to be reported to the IRS along with the existing 1099-B information. Watch for more information about this change over the coming years.

### Q. WHAT IF I HAVE MORE QUESTIONS ABOUT MY COST BASIS STATEMENT?

**A.** Please visit [www.rydex-sgi.com](http://www.rydex-sgi.com) and click on the "Customer Service" tab or call 800.820.0888, Monday through Friday, 8:30am-5:30pm, ET to speak with one of our shareholder services representatives.

### **THE INFORMATION PROVIDED ON THIS STATEMENT IS FOR INFORMATIONAL USE ONLY AND IS NOT REPORTED TO THE IRS.**

As a taxpayer, it is your responsibility to ensure the accuracy of the information provided on your tax return. There are four methods for calculating cost basis. The enclosed statement uses the average cost — single category method. If you have chosen an alternative method for calculating your cost basis in the past, you may not be able to use the information in this statement. Please consult your tax advisor for details. Neither Rydex Fund Services nor any of its affiliates or representatives is providing tax, financial or legal advice.