

Rydex Rolls Out Six ETFs

CITING A STRATEGY WITH YEARS OF proven outperformance over traditional market-cap-weighted indices and growing demand for more diversified investment products, Rydex rolled out six new equally-weighted exchange-traded index funds.

The Rockville, Md.-based firm, with \$22 billion in assets, is the first fund manager to offer this version of the Russell 1000, 2000 and mid-cap equity indices, and the MSCI EAFE, Emerging Markets and All Country World equity indices. Collectively providing a global reach, the Russell indices represent small-, mid-, and large-cap U.S. stocks, while the MSCI indices offer access to foreign developed, emerging and a combination of both markets, the latter inclusive of U.S. shares.

At a conference this week in New York, Rydex CEO Richard Goldman explained the release of these ETFs complements renewed demand for more intelligent market exposure. "There are a lot of investors who have cash on the sidelines, trying to figure out how to reinvest," observes Goldman, "and we are finding they are receptive to new ideas and investment solutions and new products that will help them meet their needs."

He points to the success investors have enjoyed since Rydex launched its equally weighted S&P 500 ETF (RSP) in late April 2003. Over the past year, through the end of November, total returns of RSP have nearly doubled that of the U.S. benchmark, having gained 18.42%. Over the past three years, the

ETF was off an annualized rate of 1.18%, but it outperformed the S&P 500 index by nearly 400 basis points a year. And since inception, the ETF's 9.05% annualized return was 349 basis points a year better than the S&P 500.

Rydex has captured outperformance in its nine equally weighted sector ETFs as well.

The reasons are easily discernable, explains Rydex CIO and head of quantitative strategies Michael Byrum. First, investors get a more broadly diversified¹ version of each index. Again citing the S&P 500 as an example, Byrum noted the top 50 stocks of the market-cap-weighted index make up half of its exposure. In the new equally weighted version, these shares make up only 10% of the portfolio. This prevents a select few stocks from having a disproportionate impact on the ETF.

Second, as ETF consultant Tom Lydon² explained at the news conference, portfolios configured around equal weighting ensure investors get more significant exposure to the next Intel, Microsoft and NetFlix before they become huge, richly valued names.

Raman Aylur Subramanian, head of New Product Development and Index Research at MSCI, added that equal weighting also enables Rydex to better capture global performance. "Our market-cap weighted MSCI All Country World Index is composed of 86% developed-market companies and 14% emerging market companies," he observes. "But Rydex's equal-weighted ver-

sion, which will begin trading in January, will provide nearly one-third emerging market exposure." Given current growth prospects, many observers believe this more balanced approach may produce superior results.

Equal weighting inherently provides more even sector exposure than their market-cap weighted counterparts.

For these reasons, Rydex executives argued equally weighted ETFs may be more comparable to actively managed portfolios, but deliver such exposure at substantially lower annual expenses.

Lastly, Rydex's Byrum thinks quarterly rebalancing, which maintains equal weighting, enforces a key discipline: profit-taking as stocks rise and purchasing of additional shares when they are declining; that is to say, selling high and buying low.

Byrum doesn't argue market-cap weighting is a misdirected market strategy. But he thinks investors should be considering additional approaches that offer distinct benefits.

This sort of split thinking goes to a major challenge Rydex will face in promoting these new products. For years, many ETF distributors have been touting the distinct advantages of passive investing that tracks market-cap-weighted indices over active management. Academic literature has frequently supported this contention. Getting advisors and self-directed investors to now buy into a fundamentally altered approach to index investing may take some time. If Rydex's logic holds, then this should happen.

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About Rydex

Rydex manages approximately \$25 billion in assets—including more than \$7 billion in exchange traded product assets. Rydex offers institutional investors and financial intermediaries a broad spectrum of traditional and nontraditional investment options that span four distinct disciplines—fundamental alpha (actively managed equity and fixed-income), alternative strategies, target beta strategies and ETFs.

For more information call 800.820.0888.

¹Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

²Thomas Lydon serves on the Board of Directors for Rydex Funds. Any opinions or forecasts expressed by Mr. Lydon, may not actually come to pass.

RYDEX S&P EQUAL WEIGHT ETF AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)

	1-Year	3-Year	5-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight ETF (NAV)	21.32%	1.60%	4.10%	9.93%	0.40%	4/24/2003
Rydex S&P Equal Weight ETF (Market Close)	21.39%	1.72%	4.16%	9.94%	0.40%	4/24/2003
S&P Equal Weight Index	21.91%	2.45%	4.80%	10.56%	---	--
S&P 500® Index	15.06%	-2.86%	2.29%	6.39%	---	---

RYDEX S&P EQUAL WEIGHT CONSUMER DISCRETIONARY ETF AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Consumer Discretionary ETF (NAV)	26.78	7.03%	1.70%	0.50%	11/1/2006
Rydex S&P Equal Weight Consumer Discretionary ETF (Market Close)	26.07%	6.97%	1.74%	0.50%	11/1/2006
S&P Equal Weight Index Consumer Discretionary	27.54%	7.36%	2.09%	---	--
S&P 500 Consumer Discretionary Index	25.72%	4.43%	0.36%	---	---

RYDEX S&P EQUAL WEIGHT CONSUMER STAPLES ETF AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Consumer Staples ETF (NAV)	17.95%	5.29%	6.41%	0.50%	11/1/2006
Rydex S&P Equal Weight Consumer Staples ETF (Market Close)	18.24%	5.39%	6.46%	0.50%	11/1/2006
S&P Equal Weight Index Consumer Staples	18.73%	5.83%	6.99%	---	--
S&P 500 Consumer Staples Index	10.67%	0.45%	3.44%	---	---

**RYDEX S&P EQUAL WEIGHT ENERGY ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Energy ETF (NAV)	26.51%	-2.02%	7.98%	0.50%	11/1/2006
Rydex S&P Equal Weight Energy ETF (Market Close)	26.08%	-1.94%	7.98%	0.50%	11/1/2006
S&P Equal Weight Index Energy	27.23%	-1.38%	8.65%	---	--
S&P 500 Energy Index	17.86%	-5.63%	4.24%	---	---

**RYDEX S&P EQUAL WEIGHT FINANCIALS ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Financials ETF (NAV)	22.82%	-10.17%	-10.76%	0.50%	11/1/2006
Rydex S&P Equal Weight Financials ETF (Market Close)	22.46%	-10.48%	-10.76%	0.50%	11/1/2006
S&P Equal Weight Index Financials	23.51%	-9.06%	-9.80%	---	--
S&P 500 Financials Index	10.83%	-18.18%	-17.24%	---	---

**RYDEX S&P EQUAL WEIGHT HEALTH CARE ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Health Care ETF (NAV)	10.84%	4.09%	6.27%	0.50%	11/1/2006
Rydex S&P Equal Weight Health Care ETF (Market Close)	10.67%	4.11%	6.26%	0.50%	11/1/2006
S&P Equal Weight Index Health Care	11.54%	4.81%	7.28%	---	--
S&P 500 Health Care Index	0.71%	-3.80%	-1.21%	---	---

**RYDEX S&P EQUAL WEIGHT INDUSTRIALS ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Industrials ETF (NAV)	26.36%	0.40%	4.65%	0.50%	11/1/2006
Rydex S&P Equal Weight Industrials ETF (Market Close)	26.12%	0.40%	4.71%	0.50%	11/1/2006
S&P Equal Weight Index Industrials	26.69%	1.08%	5.22%	---	--
S&P 500 Industrials Index	23.92%	-5.28%	-0.80%	---	---

**RYDEX S&P EQUAL WEIGHT MATERIALS ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Materials ETF (NAV)	23.29%	6.46%	8.80%	0.50%	11/1/2006
Rydex S&P Equal Weight Materials ETF (Market Close)	23.12%	6.35%	8.83%	0.50%	11/1/2006
S&P Equal Weight Index Materials	24.15%	7.40%	9.75%	---	--
S&P 500 Materials Index	19.92%	-2.67%	3.77%	---	---

**RYDEX S&P EQUAL WEIGHT TECHNOLOGY ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Technology ETF (NAV)	18.27%	2.70%	3.14%	0.50%	11/1/2006
Rydex S&P Equal Weight Technology ETF (Market Close)	17.89%	2.67%	3.10%	0.50%	11/1/2006
S&P Equal Weight Index Information Technology	19.05%	3.39%	3.70%	---	--
S&P 500 Information Technology Index	9.13%	-0.58%	3.76%	---	---

**RYDEX S&P EQUAL WEIGHT UTILITIES ETF
AVERAGE ANNUAL TOTAL RETURNS (As of 12/31/2010)**

	1-Year	3-Year	Since Fund Inception	Total Expense Ratio ³	Inception Date
Rydex S&P Equal Weight Utilities ETF (NAV)	13.06%	-2.05%	1.91%	0.50%	11/1/2006
Rydex S&P Equal Weight Utilities ETF (Market Close)	12.69%	-1.93%	1.98%	0.50%	11/1/2006
S&P Equal Weight Index Utilities and Telecommunications Services	13.77%	-1.52%	2.46%	---	--
S&P 500 Utilities Index	0.85%	-9.66%	-3.25%	---	---
S&P 500 Telecommunications Services Index	12.30%	-8.54%	-3.28%	---	--

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³The fund has adopted a distribution (12b-1) plan pursuant to which the fund may bear an annual 12b-1 fee of up to 0.25%. However, no such fee is currently charged to the fund and no such fees will be charged prior to 3/01/2011.

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