

**2011 Tax Year
Combined Form 1099-Div/B
Fact Sheet**

Contents:

- **Introductory letter**
 - Provides basic information about the forms and other documents you may need to prepare your taxes
- **2011 State Tax Information**
 - Provides information you may need for preparing your tax return for certain states
- **FAQ's for the Combined Form 1099-Div/B**
 - Answers to some of the most common questions about the forms
- **How to Read your 1099-Div**
 - IRS instructions on how to read the 1099 Div portion of your form
- **How to Read your 1099-B**
 - IRS instructions on how to read the 1099 B portion of your form



PO Box 758567
TOPEKA, KS 66675-8567

TOLL FREE: 800.820.0888
PHONE: 301.296.5100
FAX: 301.296.5103
WEB: WWW.RYDEX-SGI.COM

Dear Shareholder:

As part of our ongoing efforts to keep you informed and up-to-date regarding your investments in the Rydex|SGI Funds, enclosed is important information necessary to complete your 2011 income tax returns. Your packet may include one or more of the following:

Form 1099-DIV: This form is a record of all taxable dividend and capital gains earned in your mutual fund account during the 2011 calendar year. Please note that box 1a, "Ordinary Dividends", includes both dividend and short-term capital gains distributions. In accordance with IRS regulations, if you received a distribution that is less than \$10.00 in a fund, this information may not be included or reported on the Form 1099-DIV. Box 1b reports any Qualified Dividends. Qualified Dividends may be eligible for a reduced tax rate. Box 2a reports any long-term capital gain distributions. Please refer to the instructions on the back of your 1099-DIV for more information.

Form 1099-B: This form details the proceeds of all sales of mutual fund shares. This includes redemptions as well as exchanges out of a fund. The IRS requires mutual funds and brokers to report proceeds from all sales (exchanges and redemptions). "Fund Total" indicates the total amount of all redemptions and exchanges out of the fund. This form is NOT an indication of gains or losses in your account. You will not receive a 1099-B if you did not sell or exchange shares from a non-money market fund in 2011.

Important State Tax Information: This letter provides information to assist in the preparation of your state tax return. Please contact your state or local tax office and/or your tax advisor for specific information about your state's reporting requirements.

Please review these forms for accuracy, especially your tax identification number and account type. If you find any errors, please contact us immediately. By contacting us early, you help us correct the information we report to the IRS in a timely manner.

You should have already received your 2011 Year-End Statement that lists all activity in your account. You will need this statement along with the information contained on your Form 1099-B in order to determine capital gains or losses resulting from the sale of fund shares. We encourage you to consult with a tax advisor to assist you in preparing your income tax returns.

If you have any questions about the enclosed information, please visit the "Tax Guide" section of our website at www.rydex-sgi.com or contact Client Services at 800.820.0888 between the hours of 8:30 am and 5:30 pm ET, Monday through Friday.

Sincerely,

Mark Rayford
Head of the Transfer Agency
Rydex Fund Services, LLC

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.

2011 IMPORTANT STATE TAX INFORMATION

The following information is provided to you to assist in the preparation of your 2011 state tax return.

We strongly recommend that you contact your state or local tax office and/or your tax advisor concerning reporting requirements for your particular state

The amount shown on the enclosed Form 1099-DIV labeled "ORDINARY DIVIDENDS" may include income that was derived from direct obligations of the United States government. Such income **may be** tax-exempt in your state. If so, multiply the income percentage shown below in Column A by the amount labeled "ORDINARY DIVIDENDS" on the enclosed Form 1099-DIV to determine the amount of exempt dividends.

State and local governments vary in their treatment of income derived from direct U.S. government obligations.

RYDEX SGI FUND (All Share Classes)	FUND SYMBOLS	COLUMN A	COLUMN A**
		Percentage of ordinary income attributable to direct U.S. government obligations.	Percentage of ordinary income attributable to direct U.S. government obligations. (Tennessee Residents)
		See Footnote (A)	See Footnote (B)
All-Asset Aggressive Strategy Fund	RYGGX, RYGEX, RYGHX		1.17%
All-Asset Conservative Strategy Fund	RYEOX, RYEEX, RYEPX		0.50%
All-Asset Moderate Strategy Fund	RYMOX, RYMYX, RYMLX		0.68%
Commodities Strategy Fund*	RYMEX, RYMJX, RYMBX	35.48%	65.60%
Dow 2x Strategy Fund	RYLDX, RYCYX, RYCVX		1.31%
Government Long Bond 1.2x Strategy Fund	RYABX, RYCGX, RYADX, RYGBX	99.87%	100.00%
High Yield Strategy Fund	RYHDX, RYHHX, RYHGX		0.88%
Long/Short Commodities Strategy Fund*	RYLBX, RYLEX, RYLFX, RYYSX, RYITX	53.54%	57.74%
U.S. Government Money Market Fund*	RYAXX, RYCXX, RYDXX, RYIXX, RYMXX	35.92%	58.47%
U.S. Intermediate Bond Fund*	SIUSX, SUGBX, SDICX	16.50%	16.50%

*** This fund did not meet the threshold requirements for CA, CT or NY. Therefore, the percentage shown is not eligible for pass-through treatment in these states.**

****Percents in this column should only be used by TN residents.**

Note: If a fund that paid a distribution in 2011 is not listed in the table, the percentage is 0.00%.

(A) In computing these percentages, direct U.S. government obligations held by the Rydex|SGI Funds included: U.S. Treasury Bills, U.S. Treasury Bonds, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Discount Notes, Federal Home Loan Bank Bonds and Federal Farm Credit Bank Bonds. The Rydex|SGI Funds listed above both 1) paid a net investment income distribution and 2) held direct U.S. government obligations during this period.

(B) In computing these percentages, direct U.S. government obligations held by the Rydex|SGI Funds included: U.S. Treasury Bills, U.S. Treasury Bonds, Federal Home Loan Bank Discount Notes, Federal Farm Credit Bank Discount Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds and Repurchase agreements. The Rydex|SGI Funds listed above both 1) paid a net investment income distribution and 2) held direct U.S. government obligations during this period.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.

FAQ's for the Combined 1099-Div/B Form

FAQ's about Form 1099-Div:

Q: WHY DID I RECEIVE A 1099-DIV?

A: This form is a record of all taxable dividend and capital gains earned in your mutual fund account during the 2011 calendar year.

Q: WHY DIDN'T I RECEIVE A 1099-DIV?

A: Rydex|SGI provides 1099-Div forms to the following account types: Individual, Joint, Trust, UGMA, UTMA, Estate, Transfer on Death (TOD) and Association/Partnership. Corporations and any type of retirement account are among the account types that will not receive this form.

In accordance with IRS regulations, if you received a distribution that is less than \$10.00 in a fund, this information may not be included or reported on the 1099-Div form.

Q: MY YEAR-END STATEMENT LISTS DIVIDENDS AND SHORT-TERM CAPITAL GAINS BUT MY 1099-DIV ONLY LISTS DIVIDENDS. IS MY 1099-DIV MISSING INFORMATION?

A: No. Box 1a, "Ordinary Dividends," includes both dividend and short-term capital gains distributions. The total of the dividends and short-term capital gains listed on your year-end statement should be the same as the amount reported in box 1a, "Ordinary Dividends."

Q: WHAT ARE QUALIFIED DIVIDENDS?

A: Qualified Dividends may be eligible for a reduced tax rate and are reported in box 1b, "Qualified Dividends". See the Form 1040/1040A instructions for how to determine this amount.

Q: WHY IS A PORTION OF MY INCOME DIVIDEND LISTED IN BOX 3 – NONTAXABLE DISTRIBUTION?

A: This amount represents the portion of the income dividend that is nontaxable due to certain actions (including going out of business) of the company that paid income to the mutual fund. This is also called "Return of Capital."

Q: WHAT IS THE AMOUNT IN BOX 6- FOREIGN TAX PAID?

A: You may be able to claim a deduction or a credit for the amount shown in this box. See the Form 1040 instructions. Since this amount was paid by a registered investment company (sometimes known as a mutual fund) we are not required to complete box 7 (Foreign country or U.S. possession) or provide a country by country accounting of this amount.

Q: WHY IS THE AMOUNT IN BOX 1A AND 1B GREATER THAN THE AMOUNT PAID IN MY ACCOUNT (OR SEEN ON MY YEAR END STATEMENT)?

A: The amount in 1a/1b includes the Income dividend paid plus any foreign tax paid. The foreign tax paid amount is shown in box 6.

FAQ's about Form 1099-B:

Q: WHY DID I RECEIVE A 1099-B?

A: This form reports redemption and exchange redemption proceeds from your non-money market, non-retirement mutual fund accounts for the calendar year.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.

FAQ's about Form 1099-B: (continued)

Q: WHY DIDN'T I RECEIVE A 1099-B?

A: You will not receive a 1099-B if you did not sell or exchange shares from a **non-money market fund** in 2010. Also, Rydex|SGI only provides 1099-B forms to the following account types: Individual, Joint, Trust, UGMA, UTMA, Estate, Transfer on Death (TOD), and Association/Partnership.

Q: DOES THIS FORM REPORT MY GAINS OR LOSSES?

A: This form is NOT an indication of gains or losses in your account. Cost basis must be calculated in order to determine gains or losses.

Q: WHAT ARE "GROSS PROCEEDS"?

A: Gross Proceeds are listed by fund and are the total proceeds for each sale of shares. An exchange from one Rydex|SGI fund to another is considered a sale and subsequent purchase of shares. The IRS requires mutual funds and brokers to report the proceeds from each sale, exchange or redemption transaction. Therefore, the sale of shares generated by the exchange out of a fund is included in the Gross Proceeds figure for that fund.

Q: I HOLD A-CLASS OR C-CLASS SHARES. ARE COMMISSIONS INCLUDED IN THE GROSS PROCEEDS?

A: Yes, gross proceeds are reported including any commissions.

Q: HOW DO I REPORT THIS INFORMATION ON MY TAXES?

A: Please see the table below or the back of the first page of your 1099-Div/B form for IRS directions. We strongly recommend that you contact a tax professional for more information.

General FAQ's about the Combined Form:

Q: WILL RYDEX|SGI PROVIDE COST BASIS INFORMATION FOR MY TRANSACTIONS?

A: Rydex|SGI will provide a Cost Basis Accounting (CBA) statement for eligible accounts and transactions. For more information, please see the link about CBA statements in the Tax Guide on our website. This statement is typically mailed in February.

Q: WHY DOESN'T RYDEX|SGI PROVIDE A TOTAL FOR ALL FUNDS REPORTED ON THE 1099-DIV OR 1099-B?

A: IRS regulations prohibit us from providing an aggregate total of all funds on both the 1099-Div and 1099-B.

Q: WHAT SHOULD I DO IF I BELIEVE ANY OF THE INFORMATION REPORTED ON MY 1099 DIV/B FORM IS INCORRECT?

A: Please contact Rydex|SGI Client Services at 800.820.0888, Monday through Friday, 8:30 am - 5:30 pm, ET to speak with one of our representatives.

Q: I THOUGHT COST BASIS REPORTING RULES HAD CHANGED AND RYDEX|SGI WOULD BE PROVIDING COST BASIS INFORMATION TO ME ON MY FORM 1099-B. I DON'T SEE THAT INFORMATION, WHY?

A: The cost basis reporting rules went into effect on January 1, 2012. During this tax year, Rydex|SGI will be recording cost basis information on covered shares and will report this data on the Form 1099-B in 2013 for the 2012 tax year. The only change to the 2011 Form 1099-B is the identification of shares sold as non-covered shares. For more detailed information on the cost basis reporting rules changes, please visit www.rydex-sgi.com/costbasis.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.

**FORM 1099-DIV
INSTRUCTIONS FOR RECIPIENT**

Box 1a – Shows the total ordinary (short term) dividends that are taxable. Include this amount on line 9a of Form 1040 or 1040A. Also, report it on Schedule B (Form 1040) or Schedule 1 (Form 1040A), if required.

Box 1b – Shows the portion of the amount in box 1a that may be eligible for the 15% or zero capital gains rates. See the Form 1040/1040A instructions for how to determine this amount. Report the eligible amount on line 9b, Form 1040 or 1040A.

Box 2a – Shows total capital gain distributions (long-term) from a regulated investment company or real estate investment trust. Report the amounts shown in box 2a on Schedule D (Form 1040), line 13. But, if no amount is shown in boxes 2c-2d and your only capital gains and losses are capital gain distributions, you may be able to report the amounts shown in box 2a on line 13 of Form 1040 (line 10 of Form 1040A) rather than Schedule D. See the Form 1040/1040A instructions.

Box 3 - Shows the part of the distribution that is nontaxable because it is a return of your cost (or other basis). You must reduce your cost (or other basis) by this amount for figuring gain or loss when you sell your stock. But if you get back all your cost (or other basis), report future distributions as capital gains. See Pub. 550, Investment Income and Expenses.

Box 4 – Shows backup withholding. For example, a payer must backup withhold on certain payments at a 28% rate if you did not give your taxpayer identification number to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification for information on backup withholding. Include this amount on your income tax return as tax withheld.

Box 6 – Shows the foreign tax that you may be able to claim as a deduction or a credit on Form 1040. See the Form 1040 Instructions.

Box 7 – This box should be left blank if a regulated investment company reported the foreign tax shown in box 6.

**FORM 1099-B
INSTRUCTIONS FOR RECIPIENT**

Brokers and barter exchanges must report proceeds from transactions to you and to the Internal Revenue Service. This form is used to report these proceeds.

Box 1a – Shows the trade date of the sale or exchange transaction..

Box 2 – Shows the gross proceeds from transactions. Report this amount as explained in the instructions for Schedule D (Form 1040).

Box 4 – Shows backup withholding. Generally, a payer must backup withhold at a 28% rate if you did not furnish your taxpayer identification number to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification, for information on backup withholding. Include this amount on your income tax return as tax withheld.

Box 6 – If this box is populated with an “X”, the securities sold were noncovered securities. Generally a noncovered security is a security other than stock; stock purchased before 2011; stock in most mutual funds and other regulated investment companies; and stock held in a dividend reinvestment plan in 2011.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.