

## **RYDEX EDUCATIONAL INITIATIVE SHEDS LIGHT ON ALTERNATIVE INVESTMENTS**

*New research shows that while advisors have increased their use of nontraditional investments, many individual investors are still in the dark about alternatives.*

**August 19, 2008...Rockville, MD**—Rydex Investments—a leader in bringing institutional-style investing mainstream—is ramping up its efforts to educate financial advisors and their clients on alternative investments. The firm has introduced an “Essentials of Alternatives” brochure to its series of investor educational literature, and is now conducting advisor workshops that focus on how alternatives can be added to a portfolio to achieve true diversification.<sup>1</sup>

“As a pioneer in making alternative investments like managed futures and hedge fund strategies available to the retail marketplace within open-end mutual funds, it’s essential that we provide information about how these nontraditional investments work and how they fit within an overall asset allocation strategy,” says Edward Egilinsky, managing director of alternative strategies at Rydex Investments. “We want to equip advisors with educational material that can help them better differentiate their practices and help their clients make informed investment decisions.”

According to new research, investor knowledge about alternatives has not kept pace with the growing number of nontraditional investments now available to retail investors or the rise in alternatives usage among investment advisors. Recent AdvisorBenchmarking findings<sup>2</sup> indicate that more than half of registered investment advisors surveyed (55%) have steadily increased their use of alternatives up to 25% since 2001 with advisors citing the need for absolute returns and access to noncorrelating assets as the top two drivers of client demand. However, results of an individual investor survey<sup>3</sup> reveal that three-quarters of mutual fund investors surveyed are not familiar with alternative investments, and more than 40% don’t feel that they have access to information about their potential risks and benefits.

Despite investors’ lack of familiarity with alternatives, research suggests an openness to nontraditional investments. After being given a description of alternative investments, 60% of investors surveyed said they would consider investing in them if their advisor recommended it. And almost half (45%) of survey respondents would be more interested to work with a financial professional who offers alternatives.

“A difficult equity environment has more clients looking to allocate to alternative investments, which don’t necessarily move in tandem with stocks and bonds,” says Egilinsky. “As investors become more aware of the potential diversification benefits of alternatives, we expect that they will become a mainstay in retail investment portfolios.”

Other key investor survey findings include:

- Three-quarters of investors surveyed feel the information on alternative investments currently available in the market and through the news media is NOT sufficient to help them in making a decision about investing in alternative assets.
- Half of investors surveyed would like to receive more information about alternative investments via an investment advisor.

- Sixty-three percent of investors surveyed don't invest in alternatives because they don't know enough about them; 25% think alternatives are too risky; and 19% don't invest in alternatives because they don't know how to buy them.
- Portfolio diversification is the top reason for investors surveyed to add alternatives to their portfolio (70%).
- For investors surveyed who use alternatives, their most important goals are retirement (83%) and having sufficient income to retire early (73%).
- Half (49%) of investors surveyed said if they had access to alternative investment strategies in 2002, they would have used them in their portfolio.
- Of those investors surveyed, generation Y investors (under 31 years old) have the highest exposure to alternatives in their portfolios (29%) of all investor age groups; and wealthier investors (those with total household investable assets above \$1 million) have the highest exposure to alternatives (29%) of all asset wealth ranges.

<sup>1</sup> *Diversification neither ensures a profit nor eliminates the risk of experiencing investment losses.*

<sup>2</sup> *Source: Rydex AdvisorBenchmarking Research Study—2008 Edition.*

<sup>3</sup> *Source: Rydex Individual Investor Survey—Spring 2008.*

### **About Rydex Investments**

Rydex Investments continues to drive change in the financial industry by introducing investment products and services that challenge conventional thinking, empower investors and provide essential new options for uncertain market conditions. Rydex manages approximately \$15 billion in assets via nearly 100 mutual funds and exchange traded products.

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### **About the Rydex Individual Investor Survey**

Rydex Investments and e-Rewards conducted this survey of individual investors in March 2008. The survey was conducted with 500 individual mutual fund investors. All participants had investable assets of more than \$250,000, with 150 having investable assets of more than \$500,000.

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