



# Tail Risk Management: Using Tactical Strategies to Capture Trends

## MODERATOR

**Dave Schulz, CFA**

President

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## PANELISTS

**Howard Present**

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F-Squared Investments

**Sola Awofala**

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ThinkEquity

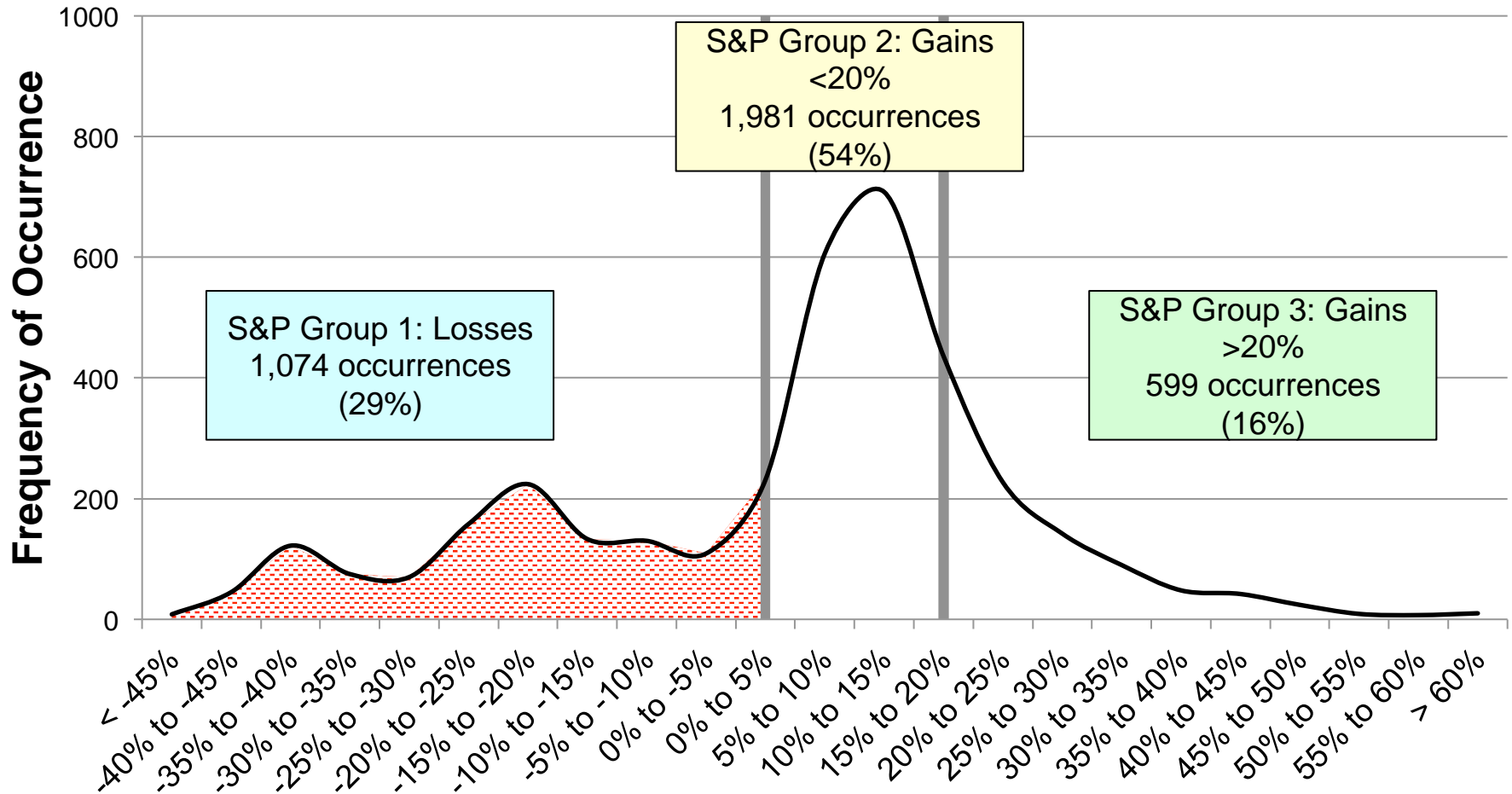
**Dominick Paoloni**

President & CIO

IPS Strategic Capital

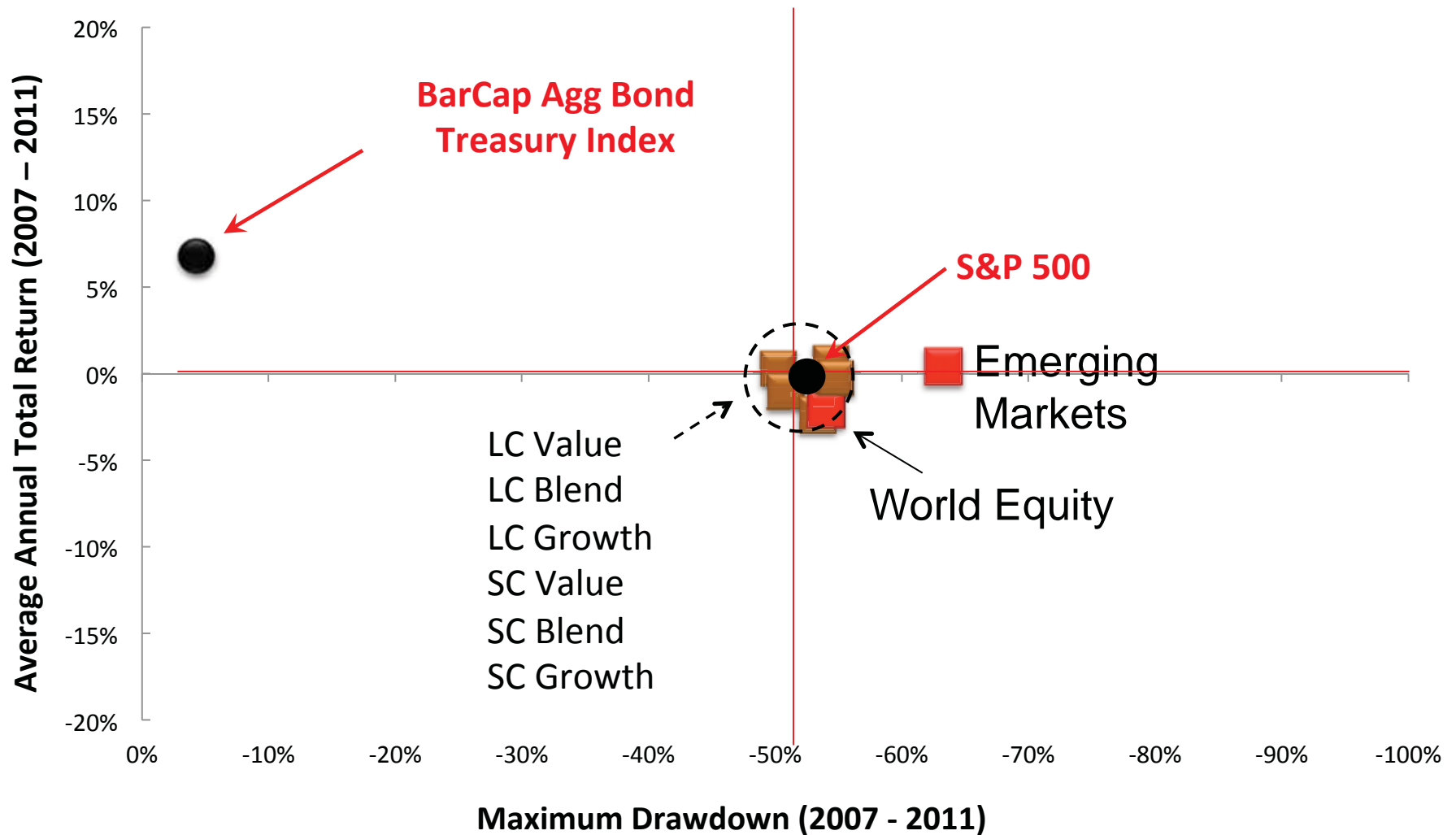
# Rolling one year returns for the S&P 500: Key insight to distribution of its historical performance<sup>1,2</sup>

## Distribution of Rolling One Year Returns - S&P 500



<sup>1</sup> Source: Morningstar, Active Index Solutions; F-Squared Investments. <sup>2</sup> April 2001– March 2012

# Conventional asset categories have limited ability to diversify away tail risk



<sup>1</sup>Source: Morningstar, Active Index Solutions; F-Squared Investments



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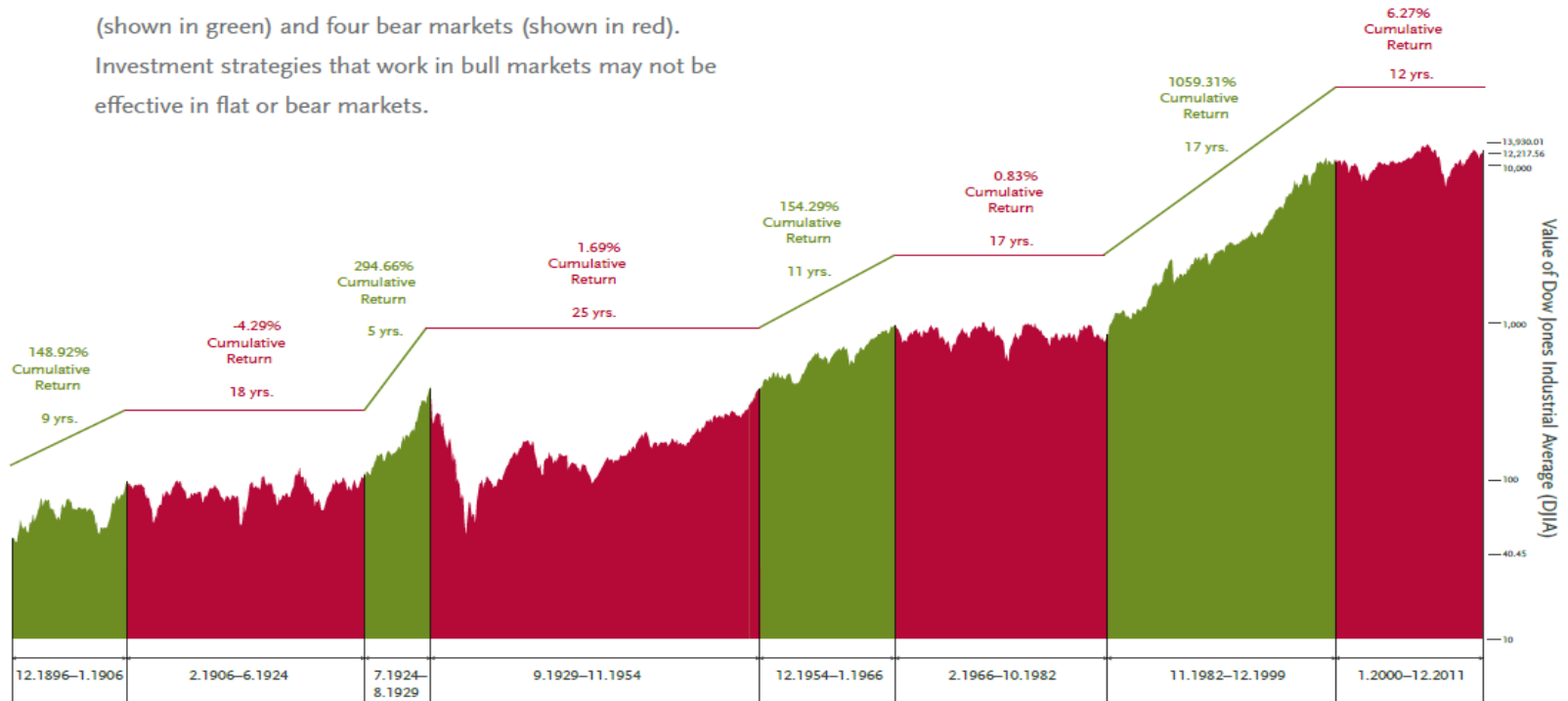
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# DOW JONES HISTORICAL TRENDS

GUGGENHEIM INVESTMENTS

History shows that the market typically moves in cycles. In the past 115 years, there have been four bull markets (shown in green) and four bear markets (shown in red). Investment strategies that work in bull markets may not be effective in flat or bear markets.



Logarithmic graph of the Dow Jones Industrial Average from 12/1896 through 12/2011.

Source: Graph created by Guggenheim Investments using data from [www.dowjones.com](http://www.dowjones.com) 01/2012.

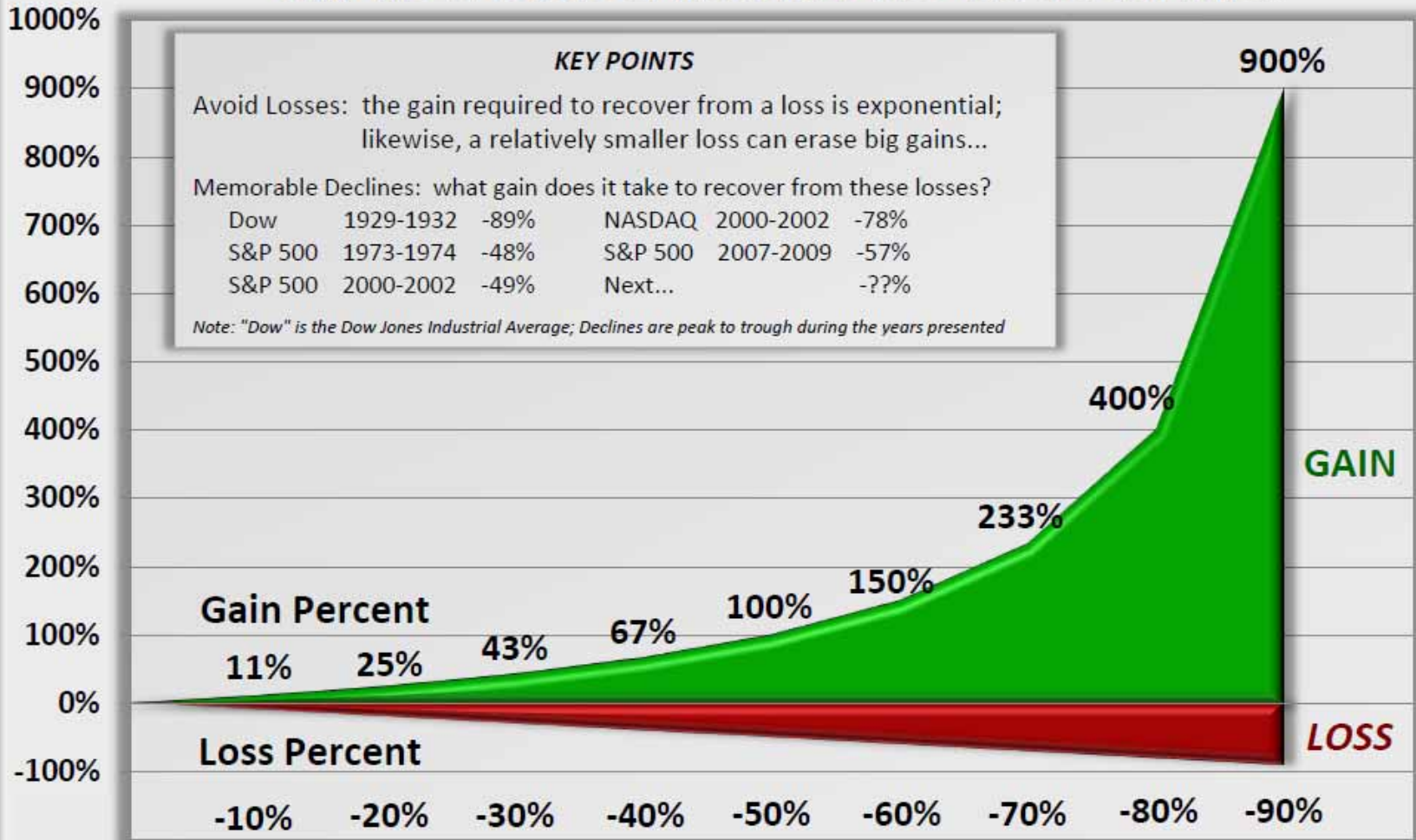
Performance displayed represents past performance, which is no guarantee of future results. The Dow Jones Industrial Average is unmanaged and unavailable for direct investment. Returns do not reflect any dividends, management fees, transaction costs or expenses. Contact your financial advisor to discuss this concept further.

For more information contact Rydex Distributors, LLC at 800.820.0888 or Guggenheim Funds Distributors, Inc. at 800.345.7999.



# THE IMPACT OF LOSSES

*Why The First Rule Of Investing Is Also The Second Rule...*



### KEY POINTS

Avoid Losses: the gain required to recover from a loss is exponential; likewise, a relatively smaller loss can erase big gains...

Memorable Declines: what gain does it take to recover from these losses?

Dow	1929-1932	-89%	NASDAQ	2000-2002	-78%
S&P 500	1973-1974	-48%	S&P 500	2007-2009	-57%
S&P 500	2000-2002	-49%	Next...		-??%

*Note: "Dow" is the Dow Jones Industrial Average; Declines are peak to trough during the years presented*



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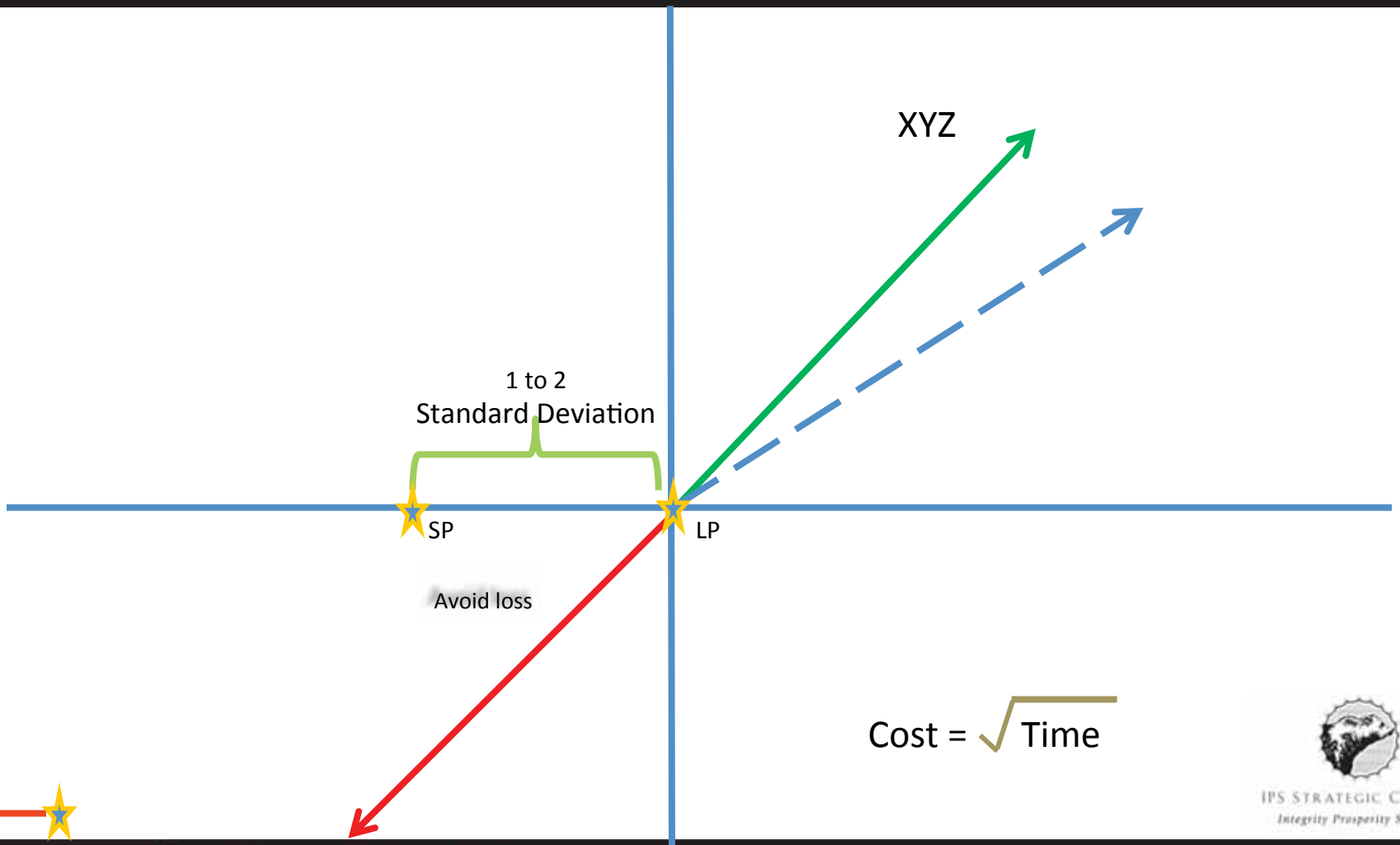
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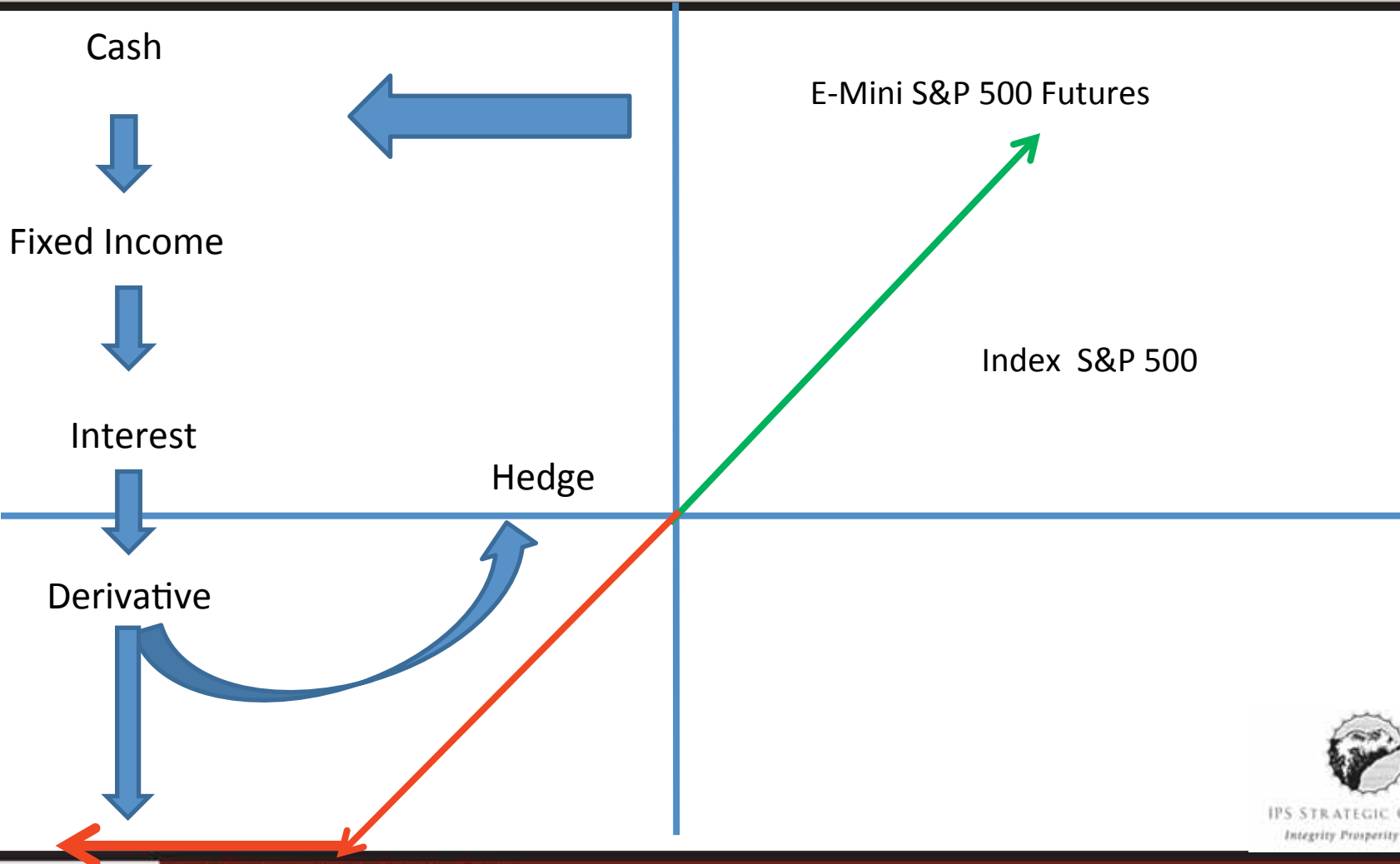
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# Exchange Traded Option Strategy





# Zero Cost S&P 500 Hedge



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