



## How do you select value stocks when everything looks like value?

November 8, 2011

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## Large and All Cap Value

Mark Mitchell, CFA, Portfolio Manager

# SGI

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Today's agenda:

- I. Observations about Today's Market
- II. Our Approach to Value Investing
- III. Opportunities in Large, Mid and Small Cap Value
- IV. Disclosures

# I. Observations about Today's Market

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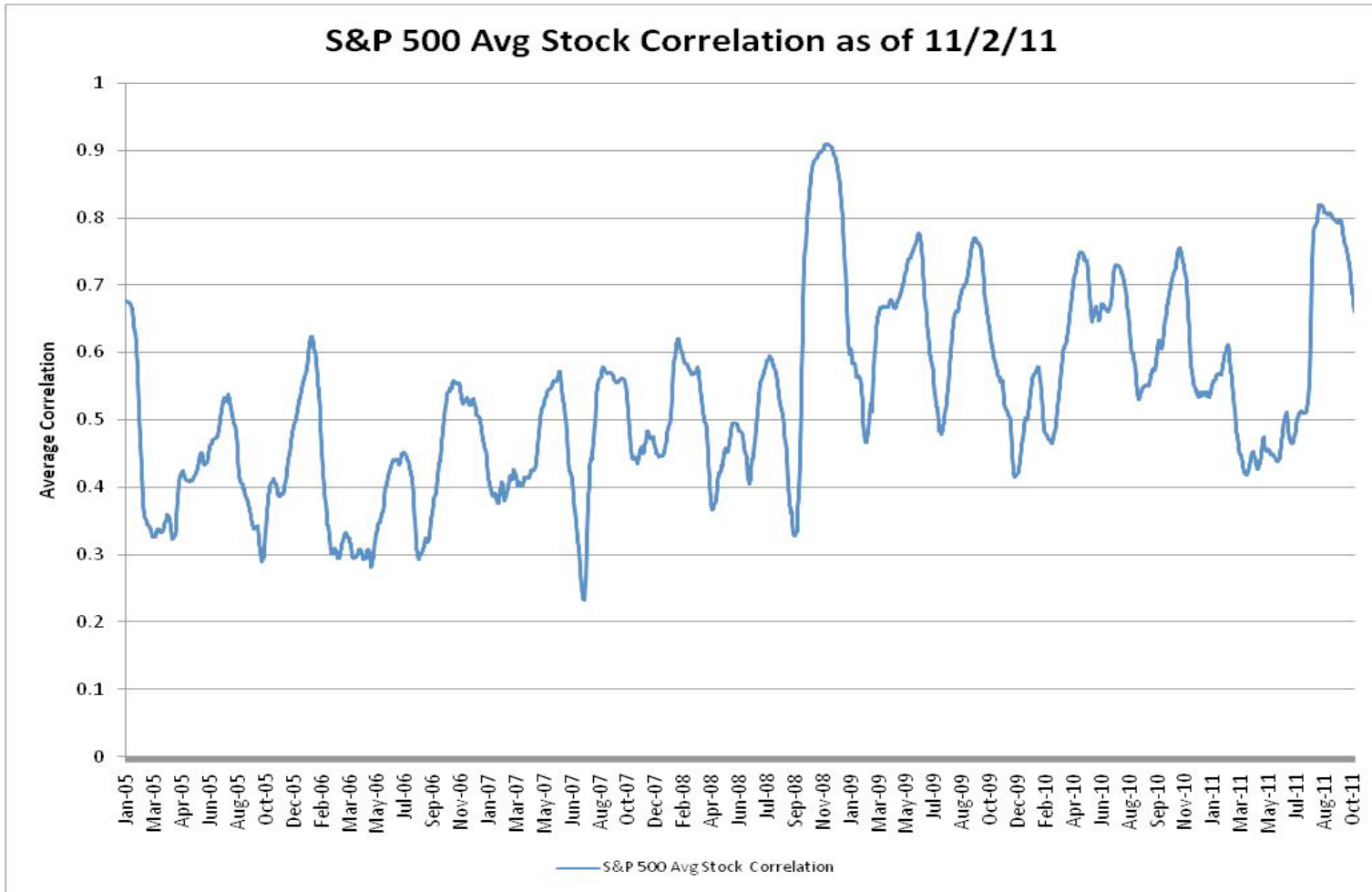
1. The universe of value opportunities appears to be expanding
2. Equity markets appear to be experiencing higher correlations
3. The downside of playing it safe
4. Current investment climate presents challenges

## 1. Our universe expands

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- We are finding many new investment opportunities
- Notion of growth v. value is obscured
- Growth indexes now contain a lot of value names
- Our valuation work is integral to determining the difference between cheap growth or no growth

## 2. High degree of correlation



Performance displayed represents past performance which is no guarantee of future results. Index information is provided for illustration purposes only and it not meant to represent the performance of any fund. Referenced indices are not available for direct investment.

### 3. The downside of playing it safe

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- Are we now in a low return/high risk investing environment?
- We believe the true interest rate for the long bond should be in the mid-4% range



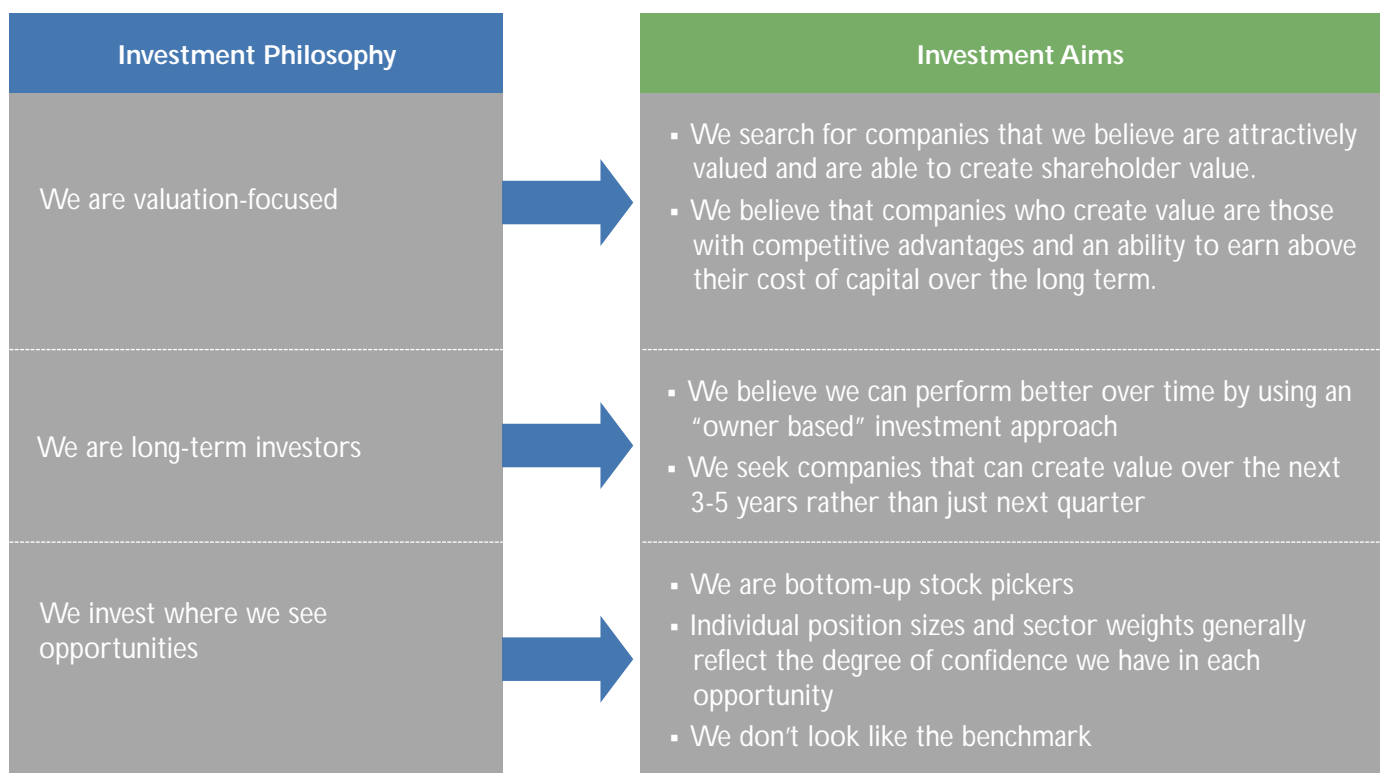
## 4. Current investment climate presents challenges

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- Earnings outlook
- European debt crisis
- Super committee noise

## II. Our Approach to Value Investing

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### III. Opportunities in Large Cap Value Stocks

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- Majority of our recent ideas have been one off situations
- Companies with Government exposure look attractive
- Energy companies look compelling considering high reinvestment opportunities
- Select technology and insurance companies look inexpensive

## Opportunities in Mid and Small Cap Value

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- Low interest rate environment = poor reinvestment opportunity
- Low reinvestment rates imply lower earnings growth
- Managers emphasis:
  - Niche sectors with growth opportunities
  - Beneficiaries of financial engineering
- Property casualty insurers
- Select technology and industrial companies

## Rydex | SGI Large Cap Value Fund Performance

AS OF 9/30/11	YTD	1-Year	3-Year	5-year	10-year	SI	Inception Date	Total Expense Ratio Gross/Net *
A-Class (No Load)	-15.12%	-5.38%	-1.97%	-2.84%	2.24%	8.18%	08/07/1944	1.59%/1.15%
A-Class (Load)	-19.99%	-10.85%	-3.89%	-3.99%	1.63%	8.09%	08/07/1944	1.59%/1.15%
C-Class (No Load)	-15.64%	-6.18%	-2.88%	-3.67%	1.40%	-0.72%	1/29/1999	2.33%/1.90%
C-Class ( Load)	-16.49%	-7.12%	-2.88%	-3.67%	1.40%	-0.72%	1/29/1999	2.33%/1.90%

*Performance displayed represents past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Total returns reflect the reinvestment of all dividends. Current performance may be lower or higher than the performance data quoted. For up-to-date fund performance, including performance current to the most recent month-end, please visit our website at [www.rydex-sgi.com](http://www.rydex-sgi.com).*

*\*Total Expense Ratio is as of fiscal year end date 9/30/2010. The investment manager has contractually agreed to waive fees and/or reimburse fund expenses until January 31, 2012.*

*With Load performance reflects maximum sales charges. Effective 2/22/2011, the A-Class maximum front-end sales charge was changed from 5.75% to 4.75%. For performance periods that begin prior to 2/22/2011, a 5.75% load was used and for performance periods that begin after 2/22/2011, a 4.75% load was used.*

*Class C-shares have a maximum CDSC of 1% for shares redeemed within 12 months of purchase.*

## Rydex | SGI Mid Cap Value Fund Performance

AS OF 9/30/11	YTD	1-Year	3-Year	5-year	10-year	SI	Inception Date	Total Expense Ratio Gross/Net *
A-Class (No Load)	-16.16%	-7.98%	3.08%	1.60%	10.31%	12.75%	5/01/1997	1.37%/1.37%
A-Class (Load)	-20.97%	-13.26%	1.07%	0.41%	9.66%	12.29%	5/01/1997	1.37%/1.37%
C-Class (No Load)	-16.65%	-8.68%	2.31%	0.84%	9.46%	10.19%	1/29/1999	2.12%/2.12%
C-Class ( Load)	-17.48%	-9.59%	2.31%	0.84%	9.46%	10.19%	1/29/1999	2.12%/2.12%

*Performance displayed represents past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Total returns reflect the reinvestment of all dividends. Current performance may be lower or higher than the performance data quoted. For up-to-date fund performance, including performance current to the most recent month-end, please visit our website at [www.rydex-sgi.com](http://www.rydex-sgi.com).*

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## Rydex | SGI Small Cap Value Fund Performance

AS OF 9/30/11	YTD	1-Year	3-Year	5-year	10-year	SI	Inception Date	Total Expense Ratio Gross/Net *
A-Class (No Load)	-18.06%	-7.31%	8.67%	n/a	n/a	12.78%	7/11/2008	2.45%/1.30%
A-Class (Load)	-22.78%	-12.66%	6.55%	n/a	n/a	10.73%	7/11/2008	2.45%/1.30%
C-Class (No Load)	-18.57%	-8.07%	7.90%	n/a	n/a	11.97%	7/11/2008	3.22%/2.05%
C-Class ( Load)	-19.38%	-8.87%	7.90%	n/a	n/a	11.97%	7/11/2008	3.22%/2.05%

*Performance displayed represents past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Total returns reflect the reinvestment of all dividends. Current performance may be lower or higher than the performance data quoted. For up-to-date fund performance, including performance current to the most recent month-end, please visit our website at [www.rydex-sgi.com](http://www.rydex-sgi.com).*

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# Morningstar Ratings

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## The Rydex|SGI Small Cap Value Fund

**SSUAX**



Overall Morningstar Rating™

Class A-Shares rated 5 Stars overall by Morningstar among 578 Small Blend funds for the 3-year period ended 9/30/11<sup>1</sup> based on risk-adjusted performance.

## The Rydex|SGI Mid Cap Value Fund

**SEVAX**



Overall Morningstar Rating™

Class A-Shares rated 4 Stars overall by Morningstar among 308 Small Value funds. The fund received a Morningstar Rating of 4 stars among 308 funds, 4 stars among 259 funds, and 5 stars among 147 funds for the 3-, 5- and 10-year periods, respectively, ending 9/30/11<sup>1</sup> based on risk-adjusted performance.

***Performance displayed represents past performance, which is no guarantee of future results.***

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star (each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages). The Overall Morningstar Rating for a Fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. The Morningstar rating is for the A-shares class only; other classes may have different performance characteristics.

Rydex|SGI Small Cap Value Fund's rating reflects fee waivers in effect; in their absence, ratings may have been lower.

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*For more complete information regarding the fund, call 800.820.0888 or visit [www.rydex-sgi.com](http://www.rydex-sgi.com) for a prospectus and a summary prospectus (if available). Investors should carefully consider the investment objectives, risks, charges and expenses of a fund before investing. The fund's prospectus and its summary prospectus (if available) contains this and other information about the fund. Please read the prospectus and summary prospectus (if available) carefully before you invest or send money.*

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