

RYSIX - Dangerous Rating



Rydex Series Funds: Electronics Fund

★★☆☆☆	Predictive Rating	Dangerous
★★★☆☆	Portfolio Management	Neutral
★☆☆☆☆	Total Annual Costs	Very Dangerous

- [Predictive Ratings](#) enable smarter investing by assessing the key drivers of fund performance.
- Stock-picking ([Portfolio Management](#)) and fund expenses ([Total Annual Costs](#)) drive investment performance.

Investment Recommendation

- We recommend investors avoid RYSIX. We recommend its ETF benchmark QQQ.
- Despite strong past performance, we expect the fund to underperform the market.
- RYSIX's Portfolio Management rating does not justify its high Total Annual Costs.

Fund Rankings

- 18th percentile of the 6000+ equity funds we cover.
- 105 out of 109 Information Technology funds.
- All 28 ETFs in the same category rank better.

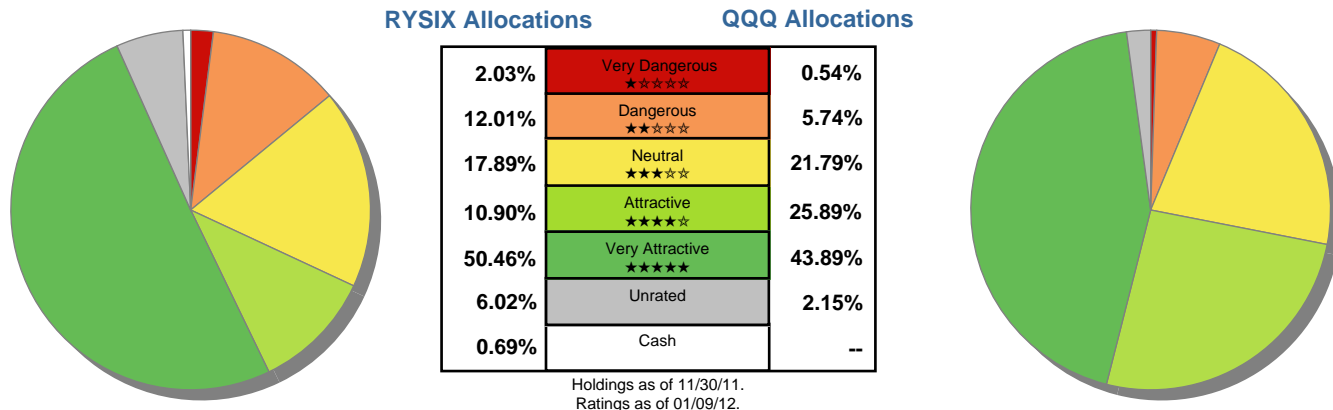
Portfolio Management Rating Details

- RYSIX receives our Neutral rating because it overweights Neutral-or-worse-rated stocks.
- QQQ, RYSIX's benchmark, receives our Attractive rating and holds better stocks than the fund.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

Portfolio Management Rating Breakdown

Business Strength		
★★★★★	Quality of Earnings	Very Attractive
★★★★★	Return on Invested Capital (ROIC)	32.79%
Valuation		
★★★★☆	Free Cash Flow Yield	4.17%
★★★☆☆	Price to Economic Book Value	2.21
★★☆☆☆	Market-Implied Duration of Growth	24 years
Fund Asset Allocation		
★★★★★	Cash Allocation	0.69% cash

Allocation Details: Fund vs Benchmark - PowerShares QQQ (QQQ)



Active Management Commentary

- RYSIX allocates 14.04% of its value to Dangerous-or-worse-rated stocks while QQQ allocates 6.28%.
- RYSIX allocates 61.36% of its value to Attractive-or-better-rated stocks while QQQ allocates 69.78%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Dangerous and Very Dangerous stocks than alternative funds with lower costs.
- Active portfolio management of RYSIX does not add value versus its ETF benchmark QQQ.

Return - Annual

Year to Date	4.71%
1 Year	-15.44%
3 Year	17.45%
5 Year	-4.71%
Inception	-0.05%

Top 5 Holdings

Intel Corp
Texas Instruments Inc
Altera Corp
Applied Materials Inc
Broadcom Corp

Key Mutual Fund Statistics

INTC	Net Assets(mm)	\$3.50	Category	Information Technology
TXN	NAV	\$49.33	Mgmt Co	Rydex/SGI Funds
ALTR	Benchmark	QQQ	Manager	Byrum/Dellapa/Harder
AMAT	# of Holdings	48	Tenure	1998
BRCM	Initial Min	\$2,500	Inception	04/01/98

Total Annual Costs Rating and Ranking

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
★☆☆☆☆	5.55%	0.70%	104 of 109

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

Reported Costs vs Benchmark: as of 08/01/11

	RYSIX	Benchmark: QQQ
Front-End Load	0.00%	--
Expense Ratio	1.39%	0.20%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

Total Annual Costs Breakdown

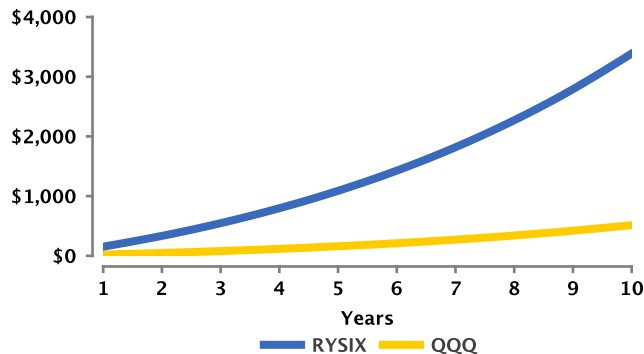
All Cost Types	Annualized Values	
	RYSIX	Benchmark: QQQ
Front-End Load	0.00%	--
Expense Ratio	1.55%	0.22%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	4.00%	--
Total Annual Costs	5.55%	0.22%

- To justify its higher Total Annual Costs, RYSIX must outperform its ETF benchmark by 6.03% annually over 3 years or 6.03% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are estimated using the fund's annual portfolio turnover ratio of 1171%.

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

Accumulated Total Costs vs Benchmark

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$547.35 for RYSIX and \$79.70 for QQQ. 10-year Accumulated Total Costs are \$3,387.95 for RYSIX and \$514.10 for QQQ.

Overview of Our Predictive Mutual Fund Rating System

New Constructs' [Predictive Fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every fund holding based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in costs of investing in a fund.

Intuitively, there are two drivers of future fund performance.

- 1) New stock-picking ([Portfolio Management Rating](#)) and
- 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

The figure below details the criteria that drive our Predictive Rating system for funds. The two drivers of our predictive rating system are Portfolio Management and Total Annual Costs. The Portfolio Management Rating (details [here](#)) is the same as our Stock Rating (details [here](#)) except that we incorporate Asset Allocation (details [here](#)) in the Portfolio Management Rating. The Total Annual Costs Rating (details [here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all mutual fund investors.

Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Business Strength		Valuation			Asset Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Econ Book Value	Mkt-Imp Duration of Growth	Cash %	
Very Dangerous ★☆☆☆☆	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Dangerous ★★☆☆☆	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50	8% < 20%	2% < 4%
Neutral ★★★☆☆	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive ★★★★☆	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive ★★★★★	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	< 1%	< 0.5%

New Constructs® - Profile

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

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Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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