

SEPTEMBER 30, 2009

# RYDEX SERIES FUNDS SEMI-ANNUAL REPORT

## ASSET ALLOCATION FUNDS

RYDEX|SGI ALL-ASSET CONSERVATIVE STRATEGY FUND  
(Formerly, Essential Portfolio Conservative Fund)

RYDEX|SGI ALL-ASSET MODERATE STRATEGY FUND  
(Formerly, Essential Portfolio Moderate Fund)

RYDEX|SGI ALL-ASSET AGGRESSIVE STRATEGY FUND  
(Formerly, Essential Portfolio Aggressive Fund)

**RYDEX | SGI**  
SECURITY GLOBAL INVESTORS<sup>SM</sup>


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This report and the financial statements contained herein are submitted for the general information of our shareholders. The report is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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## LETTER TO OUR SHAREHOLDERS

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### DEAR SHAREHOLDER:

Nearly a year after the height of the financial crisis, the equity and credit markets are returning to more normal functioning. Fed chairman Ben Bernanke's September 15 comment that "the recession is very likely over" seems to confirm the encouraging signs of the past six months. Overall, economic data suggest that the economy is emerging from the financial crisis and severe recession. Deflationary forces stemming from the financial crisis and economic slowdown are aggressively being countered by massive global efforts to ease monetary policy and create fiscal stimulus programs. But as unexpectedly lower demand for durable goods and a decrease over prior month's existing home sales indicates, the road to recovery may still be a rough ride.

### *Continuing Fallout from 2008*

Six months ago, the stock market began to climb back up from its lowest level in 12 years (reached March 9, 2009). For many, the spring surge gave hope for an end to the bear market that ravaged investors' portfolios, but the deepest recession since the Great Depression would still leave its mark on the second and third quarters. As investors looked forward to putting 2008 far behind them, General Motors ("GM") filed for bankruptcy on June 1 despite the interjection of more than \$19.4 billion in federal help—and for the first time since 1925, GM was no longer part of the Dow Jones Industrial Average Index ("DJIA"). Second quarter GDP declined by a 1.0% annual rate, though recovering somewhat from the 6.4% contraction of the first quarter. According to Bloomberg, this quarterly drop in GDP was the fourth in a row, the longest contraction since quarterly records began in 1947. By the end of September, the U.S. unemployment rate climbed to 9.8%—the highest since June 1983. In the same breath as he suggested the recession's end, Bernanke also cautioned that "it's still going to feel like a very weak economy for some time."

### *Cautious Optimism for Q4 and Beyond*

The second and third quarters saw unprecedented growth in the stock market, kicked off in May by a report from payroll processor ADP that fewer jobs were lost in April than economists predicted. In May, the Treasury Department also released the results of the now infamous "bank stress tests," allowing 10 major banks to pay back \$68 billion in TARP money forced upon them earlier in the year. Existing home sales rose in July by 7.2%, while single-family housing starts rose 1.7% in July, the fifth straight month of increase. This larger than expected increase was followed by an unexpected drop in existing home sales in August. While there are signs of stabilization in the housing markets, recent economic reports suggest the recovery may be tepid at best. The index of U.S. leading indicators rose in August (0.6%) for the fifth straight month, though not by as much as in July (0.9%) or as expected (0.7%). Over the past six months, stock market fluctuations—as measured by the SPX Volatility Index, a measure of expected future volatility levels—have returned to more historically "normal" levels. Despite the impressive rally from its low point of 676.53 on March 9, 2009, the equity market—as measured by the S&P 500® Index—has declined 6.91% for the year period ending September 30, 2009.

Are we on the road to recovery? Clearly there are signs that point to an improving, or more specifically, a less negative economic environment. On the other hand, soft economic data in September showed us that excessive optimism is premature—the economy still has a long way to go. It is likely that we'll continue to see volatility in the market as the economic situation moves from crisis to stabilization. While we are not out of the woods yet, improving market conditions should lead to better investment opportunities going forward.

### ***Moving Forward***

From my perspective, every bear market—from the Great Depression to the tech bubble of the early 1990s—teaches investors the same valuable lesson: The need to diversify. Earlier this year, we integrated with Security Global Investors to become Rydex|SGI. This integration allows us to expand our current lineup of quantitatively managed, alternative and target beta funds to include actively managed global, growth, value and specialty fixed-income strategies. Simply put: We diversified our product offerings in order to position the company for future growth and to provide our clients with a wider array of investment strategies than ever before.

While this integration marks the firm's evolution to a leading multi-discipline asset management firm, more importantly, we believe investors will be well served by the broader array of investment choices now available from Rydex|SGI.

We appreciate the trust that you have placed in our firm's quality and integrity by investing with us. It is our goal to continue to offer you a wide variety of investment offerings to help you meet our financial goals.

Sincerely,



Michael Byrum  
President & Chief Investment Officer

*Performance displayed represents past performance which is no guarantee of future results. Of course, fund performance is subject to daily market volatility and may be better or worse since the end of the last quarter. For up-to-date fund performance, call us at 800.820.0888 or visit [www.rydex-sgi.com](http://www.rydex-sgi.com).*

## ABOUT SHAREHOLDERS' FUND EXPENSES *(Unaudited)*

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All mutual funds have operating expenses and it is important for our shareholders to understand the impact of costs on their investments. Shareholders of a Fund incur two types of costs: (i) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, or other distributions; redemption fees; and exchange fees; and (ii) ongoing costs, including management fees, administrative services, and shareholder reports, among others. These ongoing costs, or operating expenses, are deducted from a fund's gross income and reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets, which is known as the expense ratio. The following examples are intended to help investors understand the ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period and held for the entire six-month period beginning March 31, 2009 and ending September 30, 2009.

The following tables illustrate a Fund's costs in two ways:

**Table 1. Based on actual Fund return.** This section helps investors estimate the actual expenses paid over the period. The "Ending Account Value" shown is derived from the Fund's actual return, and the fourth column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. Investors may use the information here, together with the amount invested, to estimate the expenses paid over the period. Simply divide the Fund's account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number provided under the heading "Expenses Paid During Period."

**Table 2. Based on hypothetical 5% return.** This section is intended to help investors compare a Fund's cost with those of other mutual funds. The table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses paid during the period. The example is useful in making comparisons because the U.S. Securities and Exchange Commission (the "SEC") requires all mutual funds to calculate expenses based on the 5% return. Investors can assess a Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Certain retirement plans such as IRA, SEP, Roth IRA and 403(b) accounts are charged an annual \$15 maintenance fee. Upon liquidating a retirement account, a \$15 account-closing fee will be taken from the proceeds of the redemption.

The calculations illustrated above assume no shares were bought or sold during the period. Actual costs may have been higher or lower, depending on the amount of investment and the timing of any purchases or redemptions.

Note that the expenses shown in the table are meant to highlight and help compare ongoing costs only and do not reflect any transactional costs which may be incurred by a Fund.

More information about a Fund's expenses, including annual expense ratios for the past five years, can be found in the Financial Highlights section of this report. For additional information on operating expenses and other shareholder costs, please refer to the appropriate Fund prospectus.

## ABOUT SHAREHOLDERS' FUND EXPENSES *(Unaudited) (concluded)*

|   | Expense Ratio† | Beginning Account Value<br>March 31, 2009 | Ending Account Value<br>September 30, 2009 | Expenses Paid During Period* |
|---|----------------|---|--|------------------------------|
| <b>Table 1. Based on actual Fund return</b>                       |                |   |  |                              |
| <b>All-Asset Conservative Strategy Fund</b>                       |                |   |  |                              |
| A-Class   | 0.00%          | \$1,000.00                                | \$1,153.90                                 | \$ —                         |
| C-Class   | 0.75%          | 1,000.00                                  | 1,150.10                                   | 4.04                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,153.80                                   | —                            |
| <b>All-Asset Moderate Strategy Fund</b>                           |                |   |  |                              |
| A-Class   | 0.00%          | 1,000.00                                  | 1,211.90                                   | —                            |
| C-Class   | 0.75%          | 1,000.00                                  | 1,207.20                                   | 4.15                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,211.60                                   | —                            |
| <b>All-Asset Aggressive Strategy Fund</b>                         |                |   |  |                              |
| A-Class   | 0.00%          | 1,000.00                                  | 1,273.60                                   | —                            |
| C-Class   | 0.75%          | 1,000.00                                  | 1,269.80                                   | 4.27                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,273.50                                   | —                            |
| <b>Table 2. Based on hypothetical 5% return (before expenses)</b> |                |   |  |                              |
| <b>All-Asset Conservative Strategy Fund</b>                       |                |   |  |                              |
| A-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |
| C-Class   | 0.75%          | 1,000.00                                  | 1,021.31                                   | 3.80                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |
| <b>All-Asset Moderate Strategy Fund</b>                           |                |   |  |                              |
| A-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |
| C-Class   | 0.75%          | 1,000.00                                  | 1,021.31                                   | 3.80                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |
| <b>All-Asset Aggressive Strategy Fund</b>                         |                |   |  |                              |
| A-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |
| C-Class   | 0.75%          | 1,000.00                                  | 1,021.31                                   | 3.80                         |
| H-Class   | 0.00%          | 1,000.00                                  | 1,025.07                                   | —                            |

\* Expenses are equal to the Fund's annualized expense ratio, multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by the number of days in the current fiscal year.

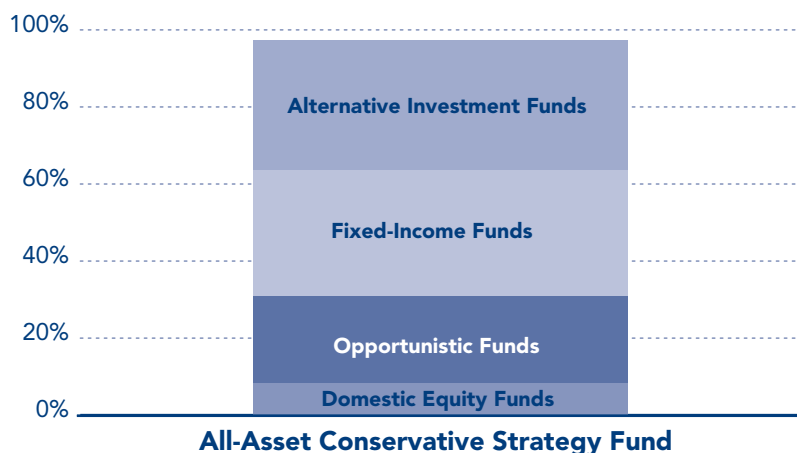
† Annualized and excludes expenses of the underlying funds in which the Funds invest.

## FUND PROFILES *(Unaudited)*

### ALL-ASSET CONSERVATIVE STRATEGY FUND

**OBJECTIVE:** Primarily seek preservation of capital and, secondarily, to seek long-term growth of capital.

#### Holdings Diversification (Market Exposure as % of Net Assets)



"Holdings Diversification (Market Exposure as % of Net Assets)" excludes any temporary cash investments.

#### Inception Dates:

|         |               |
|---------|---------------|
| A-Class | June 30, 2006 |
| C-Class | June 30, 2006 |
| H-Class | June 30, 2006 |

#### Ten Largest Holdings (% of Total Net Assets)

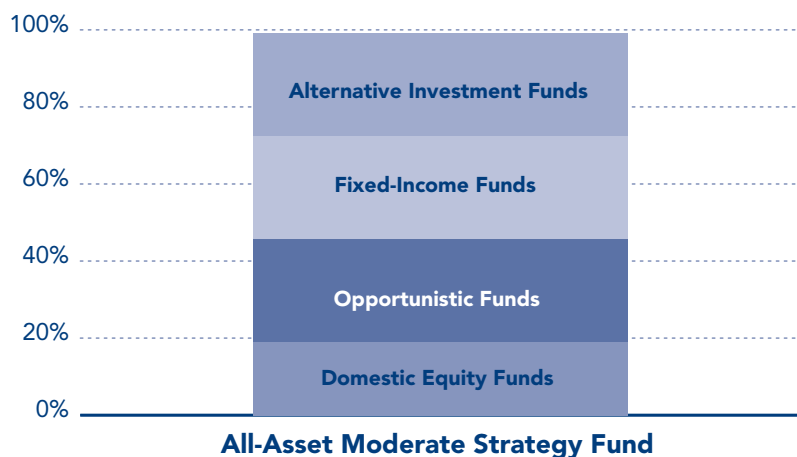
|   |              |
|---|--------------|
| Security U.S. Intermediate Bond Fund          | 19.4%        |
| RSF — All-Cap Opportunity Fund                | 18.4%        |
| RSF — Managed Futures Strategy Fund           | 13.6%        |
| RSF — Global Market Neutral Fund              | 9.1%         |
| RSF — Government Long Bond 1.2x Strategy Fund | 8.5%         |
| RSF — S&P 500 Fund                            | 6.7%         |
| Security Income Fund — High Yield Series      | 5.1%         |
| RSF — Global 130/30 Strategy Fund             | 4.9%         |
| RSF — Multi-Hedge Strategies Fund             | 4.3%         |
| RSF — International Opportunity Fund          | 4.1%         |
| <b>Top Ten Total</b>                          | <b>94.1%</b> |

"Ten Largest Holdings" exclude any temporary cash or derivative investments.

### ALL-ASSET MODERATE STRATEGY FUND

**OBJECTIVE:** Primarily seek growth of capital and, secondarily, to seek preservation of capital.

#### Holdings Diversification (Market Exposure as % of Net Assets)



"Holdings Diversification (Market Exposure as % of Net Assets)" excludes any temporary cash investments.

#### Inception Dates:

|         |               |
|---------|---------------|
| A-Class | June 30, 2006 |
| C-Class | June 30, 2006 |
| H-Class | June 30, 2006 |

#### Ten Largest Holdings (% of Total Net Assets)

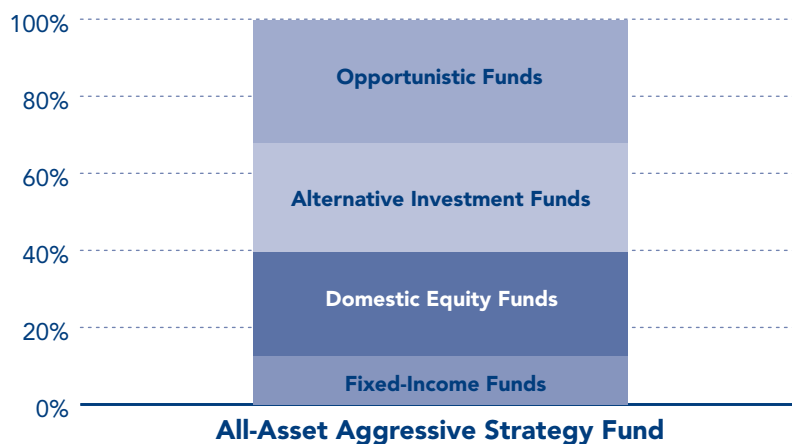
|   |              |
|---|--------------|
| Security U.S. Intermediate Bond Fund          | 18.9%        |
| RSF — All-Cap Opportunity Fund                | 17.8%        |
| RSF — Global Market Neutral Fund              | 9.6%         |
| RSF — International Opportunity Fund          | 8.7%         |
| RSF — S&P 500 Fund                            | 8.5%         |
| RSF — Managed Futures Strategy Fund           | 8.5%         |
| RSF — Nova Fund                               | 7.5%         |
| RSF — Government Long Bond 1.2x Strategy Fund | 5.3%         |
| RSF — Global 130/30 Strategy Fund             | 5.0%         |
| RSF — Russell 2000® Fund                      | 3.0%         |
| <b>Top Ten Total</b>                          | <b>92.8%</b> |

"Ten Largest Holdings" exclude any temporary cash or derivative investments.

## ALL-ASSET AGGRESSIVE STRATEGY FUND

**OBJECTIVE:** Seeks growth of capital.

### Holdings Diversification (Market Exposure as % of Net Assets)



"Holdings Diversification (Market Exposure as % of Net Assets)" excludes any temporary cash investments.

### Inception Dates:

|         |               |
|---------|---------------|
| A-Class | June 30, 2006 |
| C-Class | June 30, 2006 |
| H-Class | June 30, 2006 |

### Ten Largest Holdings (% of Total Net Assets)

|   |              |
|---|--------------|
| RSF — All-Cap Opportunity Fund                | 18.8%        |
| RSF — Nova Fund                               | 16.9%        |
| RSF — International Opportunity Fund          | 13.3%        |
| RSF — Managed Futures Strategy Fund           | 9.9%         |
| RSF — Global Market Neutral Fund              | 9.9%         |
| Security U.S. Intermediate Bond Fund          | 9.5%         |
| RSF — Global 130/30 Strategy Fund             | 5.0%         |
| RSF — S&P 500 Fund                            | 4.4%         |
| RSF — Government Long Bond 1.2x Strategy Fund | 3.0%         |
| RSF — Russell 2000® 1.5x Strategy Fund        | 2.9%         |
| <b>Top Ten Total</b>                          | <b>93.6%</b> |

"Ten Largest Holdings" exclude any temporary cash or derivative investments.

# SCHEDULE OF INVESTMENTS *(Unaudited)*

September 30, 2009

## ALL-ASSET CONSERVATIVE STRATEGY FUND

|   | Shares                 | Market<br>Value     |
|---|------------------------|---------------------|
| <b>MUTUAL FUNDS†† 97.4%</b>                                     |                        |                     |
| Security U.S. Intermediate<br>Bond Fund                         | 673,630                | \$ 2,728,202        |
| RSF – All-Cap Opportunity Fund*                                 | 227,554                | 2,594,120           |
| RSF – Managed Futures<br>Strategy Fund                          | 70,194                 | 1,917,708           |
| RSF – Global Market<br>Neutral Fund*                            | 52,961                 | 1,276,354           |
| RSF – Government Long<br>Bond 1.2x Strategy Fund                | 96,433                 | 1,190,953           |
| RSF – S&P 500 Fund  | 44,938                 | 945,051             |
| Security Income Fund –<br>High Yield Series                     | 61,778                 | 719,719             |
| RSF – Global 130/30<br>Strategy Fund                            | 77,132                 | 684,165             |
| RSF – Multi-Hedge<br>Strategies Fund                            | 29,847                 | 610,974             |
| RSF – International<br>Opportunity Fund                         | 27,690                 | 584,257             |
| RSF – Long/Short Commodities<br>Strategy Fund*                  | 10,345                 | 265,152             |
| RSF – Russell 2000® Fund*                                       | 10,072                 | 206,271             |
| <b>Total Mutual Funds</b><br>(Cost \$12,242,011)                |                        | <u>13,722,926</u>   |
|   | <b>Face<br/>Amount</b> |                     |
| <b>REPURCHASE AGREEMENT† 2.2%</b>                               |                        |                     |
| Credit Suisse Group<br>issued 09/30/09 at 0.03%<br>due 10/01/09 | \$305,690              | <u>305,690</u>      |
| <b>Total Repurchase Agreement</b><br>(Cost \$305,690)           |                        | <u>305,690</u>      |
| <b>Total Investments 99.6%(a)</b><br>(Cost \$12,547,701)        |                        | <u>\$14,028,616</u> |
| <b>Other Assets in Excess<br/>of Liabilities – 0.4%</b>         |                        | <u>\$ 62,219</u>    |
| <b>Net Assets – 100.0%</b>                                      |                        | <u>\$14,090,835</u> |

\* Non-Income Producing Security.

† Repurchase Agreement — See Note 5.

†† A-Class shares of Affiliated Funds.

(a) Unless otherwise indicated, the values of the securities of the Portfolio are determined based on Level 1 inputs established by ASC 820 — See Note 6.

RSF — Rydex Series Funds.

**SCHEDULE OF INVESTMENTS** (Unaudited)

September 30, 2009

**ALL-ASSET MODERATE STRATEGY FUND**

|   | Shares             | Market Value        |
|---|--------------------|---------------------|
| <b>MUTUAL FUNDS†† 99.1%</b>                                     |                    |                     |
| Security U.S. Intermediate Bond Fund                            | 1,729,955          | \$ 7,006,318        |
| RSF – All-Cap Opportunity Fund*                                 | 577,841            | 6,587,382           |
| RSF – Global Market Neutral Fund*                               | 146,663            | 3,534,580           |
| RSF – International Opportunity Fund                            | 152,673            | 3,221,405           |
| RSF – S&P 500 Fund  | 149,152            | 3,136,665           |
| RSF – Managed Futures Strategy Fund                             | 114,463            | 3,127,140           |
| RSF – Nova Fund   | 165,959            | 2,758,232           |
| RSF – Government Long Bond 1.2x Strategy Fund                   | 159,134            | 1,965,307           |
| RSF – Global 130/30 Strategy Fund                               | 207,877            | 1,843,872           |
| RSF – Russell 2000® Fund*                                       | 54,621             | 1,118,641           |
| Security Income Fund – High Yield Series                        | 81,326             | 947,454             |
| RSF – Multi-Hedge Strategies Fund                               | 35,819             | 733,219             |
| RSF – Long/Short Commodities Strategy Fund*                     | 27,114             | 694,939             |
| <b>Total Mutual Funds</b><br>(Cost \$31,599,041)                |                    | <u>36,675,154</u>   |
|   | <b>Face Amount</b> |                     |
| <b>REPURCHASE AGREEMENT† 0.6%</b>                               |                    |                     |
| Credit Suisse Group<br>issued 09/30/09 at 0.03%<br>due 10/01/09 | \$ 202,820         | <u>202,820</u>      |
| <b>Total Repurchase Agreement</b><br>(Cost \$202,820)           |                    | <u>202,820</u>      |
| <b>Total Investments 99.7%(a)</b><br>(Cost \$31,801,861)        |                    | <u>\$36,877,974</u> |
| <b>Other Assets in Excess of Liabilities – 0.3%</b>             |                    | <u>\$ 116,925</u>   |
| <b>Net Assets – 100.0%</b>                                      |                    | <u>\$36,994,899</u> |

\* Non-Income Producing Security.

† Repurchase Agreement — See Note 5.

†† A-Class shares of Affiliated Funds.

(a) Unless otherwise indicated, the values of the securities of the Portfolio are determined based on Level 1 inputs established by ASC 820 — See Note 6.

RSF — Rydex Series Funds.

**SCHEDULE OF INVESTMENTS** (Unaudited)

September 30, 2009

**ALL-ASSET AGGRESSIVE STRATEGY FUND**

|   | Shares                 | Market<br>Value     |
|---|------------------------|---------------------|
| <b>MUTUAL FUNDS†† 99.8%</b>                                     |                        |                     |
| RSF – All-Cap Opportunity Fund*                                 | 269,451                | \$ 3,071,739        |
| RSF – Nova Fund   | 166,523                | 2,767,619           |
| RSF – International<br>Opportunity Fund                         | 102,876                | 2,170,691           |
| RSF – Managed Futures<br>Strategy Fund                          | 59,244                 | 1,618,549           |
| RSF – Global Market<br>Neutral Fund*                            | 67,119                 | 1,617,575           |
| Security U.S. Intermediate<br>Bond Fund                         | 384,809                | 1,558,474           |
| RSF – Global 130/30<br>Strategy Fund                            | 91,683                 | 813,228             |
| RSF – S&P 500 Fund  | 34,493                 | 725,397             |
| RSF – Government Long<br>Bond 1.2x Strategy Fund                | 40,258                 | 497,189             |
| RSF – Russell 2000® 1.5x<br>Strategy Fund*                      | 22,403                 | 476,057             |
| RSF – Russell 2000® Fund*                                       | 20,830                 | 426,603             |
| RSF – Long/Short Commodities<br>Strategy Fund*                  | 12,387                 | 317,483             |
| RSF – Multi-Hedge<br>Strategies Fund                            | 11,545                 | <u>236,332</u>      |
| <b>Total Mutual Funds</b><br>(Cost \$13,735,197)                |                        | <u>16,296,936</u>   |
|   | <b>Face<br/>Amount</b> |                     |
| <b>REPURCHASE AGREEMENT† 0.3%</b>                               |                        |                     |
| Credit Suisse Group<br>issued 09/30/09 at 0.03%<br>due 10/01/09 | \$ 53,771              | <u>53,771</u>       |
| <b>Total Repurchase Agreement</b><br>(Cost \$53,771)            |                        | <u>53,771</u>       |
| <b>Total Investments 100.1%(a)</b><br>(Cost \$13,788,968)       |                        | <u>\$16,350,707</u> |
| <b>Liabilities in Excess of<br/>Other Assets – (0.1)%</b>       |                        | <u>\$ (21,424)</u>  |
| <b>Net Assets – 100.0%</b>                                      |                        | <u>\$16,329,283</u> |

\* Non-Income Producing Security.

† Repurchase Agreement — See Note 5.

†† A-Class shares of Affiliated Funds.

(a) Unless otherwise indicated, the values of the securities of the Portfolio are determined based on Level 1 inputs established by ASC 820 — See Note 6.

RSF — Rydex Series Funds.

**STATEMENTS OF ASSETS AND LIABILITIES** (Unaudited) September 30, 2009

|  | All-Asset<br>Conservative<br>Strategy Fund | All-Asset<br>Moderate<br>Strategy Fund | All-Asset<br>Aggressive<br>Strategy Fund |
|--|--|--|--|
| <b>ASSETS</b>                                |  |  |  |
| Investment Securities in Affiliated Funds    | \$13,722,926                               | \$ 36,675,154                          | \$16,296,936                             |
| Repurchase Agreements                        | 305,690                                    | 202,820                                | 53,771                                   |
| Total Investments                            | 14,028,616                                 | 36,877,974                             | 16,350,707                               |
| Receivable for Fund Shares Sold              | 98,283                                     | 199,479                                | 18,108                                   |
| Investment Income Receivable                 | 2,341                                      | 3,989                                  | 989                                      |
| <b>Total Assets</b>                          | <b>14,129,240</b>                          | <b>37,081,442</b>                      | <b>16,369,804</b>                        |
| <b>LIABILITIES</b>                           |  |  |  |
| Payable for Securities Purchased             | 2,406                                      | 4,169                                  | 1,029                                    |
| Payable for Fund Shares Redeemed             | 31,349                                     | 69,773                                 | 35,640                                   |
| Distribution and Service Fees Payable        | 4,642                                      | 12,552                                 | 3,843                                    |
| Custody Fees Payable                         | 8  | 49                                     | 9  |
| <b>Total Liabilities</b>                     | <b>38,405</b>                              | <b>86,543</b>                          | <b>40,521</b>                            |
| <b>NET ASSETS</b>                            | <b>\$14,090,835</b>                        | <b>\$ 36,994,899</b>                   | <b>\$16,329,283</b>                      |
| <b>NET ASSETS CONSIST OF</b>                 |  |  |  |
| Paid-In Capital                              | \$15,439,192                               | \$ 43,302,623                          | \$19,705,646                             |
| Undistributed Net Investment Income          | 308,896                                    | 737,884                                | 196,810                                  |
| Accumulated Net Realized Loss on Investments | (3,138,168)                                | (12,121,721)                           | (6,134,912)                              |
| Net Unrealized Appreciation on Investments   | 1,480,915                                  | 5,076,113                              | 2,561,739                                |
| <b>NET ASSETS</b>                            | <b>\$14,090,835</b>                        | <b>\$ 36,994,899</b>                   | <b>\$16,329,283</b>                      |
| A-Class                                      | \$ 2,893,494                               | \$ 9,945,082                           | \$ 6,290,591                             |
| C-Class                                      | 7,801,928                                  | 20,443,925                             | 6,380,853                                |
| H-Class                                      | 3,395,413                                  | 6,605,892                              | 3,657,839                                |
| <b>SHARES OUTSTANDING</b>                    |  |  |  |
| A-Class                                      | 290,154                                    | 1,034,542                              | 707,367                                  |
| C-Class                                      | 802,172                                    | 2,179,553                              | 737,094                                  |
| H-Class                                      | 340,174                                    | 687,020                                | 411,474                                  |
| <b>NET ASSET VALUES</b>                      |  |  |  |
| A-Class                                      | \$9.97                                     | \$9.61                                 | \$8.89                                   |
| A-Class Maximum Offering Price*              | 10.47                                      | 10.09                                  | 9.33                                     |
| C-Class                                      | 9.73                                       | 9.38                                   | 8.66                                     |
| H-Class                                      | 9.98                                       | 9.62                                   | 8.89                                     |
| Cost of Investments                          | \$12,547,701                               | \$ 31,801,861                          | \$13,788,968                             |

\* Net asset value adjusted for the maximum sales charge of 4.75% of offering price, calculated NAV/(1-4.75%).

**STATEMENTS OF OPERATIONS** (Unaudited)

Period Ended September 30, 2009

|   | All-Asset<br>Conservative<br>Strategy Fund | All-Asset<br>Moderate<br>Strategy Fund | All-Asset<br>Aggressive<br>Strategy Fund |
|---|--|--|--|
| <b>INVESTMENT INCOME</b>                                  |  |  |  |
| Interest  | \$ 112                                     | \$ 213                                 | \$ 84                                    |
| Dividends from Affiliated Funds                           | 63,448                                     | 132,641                                | 22,818                                   |
| Total Income  | 63,560                                     | 132,854                                | 22,902                                   |
| <b>EXPENSES</b>   |  |  |  |
| Distribution & Service Fees:                              |  |  |  |
| C-Class   | 24,387                                     | 72,558                                 | 20,718                                   |
| Custody Fees  | 146  | 344                                    | 69                                       |
| Miscellaneous   | 6  | 92                                     | 12                                       |
| Total Expenses  | 24,539                                     | 72,994                                 | 20,799                                   |
| Net Investment Income                                     | 39,021                                     | 59,860                                 | 2,103                                    |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b> |  |  |  |
| Net Realized Gain (Loss) on:                              |  |  |  |
| Affiliated Investment Securities                          | 162,713                                    | (422,535)                              | 372,180                                  |
| Total Net Realized Gain (Loss)                            | 162,713                                    | (422,535)                              | 372,180                                  |
| Net Change in Unrealized Appreciation (Depreciation) on:  |  |  |  |
| Investment Securities                                     | 1,520,588                                  | 6,895,576                              | 3,163,792                                |
| Net Change in Unrealized Appreciation (Depreciation)      | 1,520,588                                  | 6,895,576                              | 3,163,792                                |
| Net Gain on Investments                                   | 1,683,301                                  | 6,473,041                              | 3,535,972                                |
| <b>Net Increase in Net Assets from Operations</b>         | <b>\$1,722,322</b>                         | <b>\$6,532,901</b>                     | <b>\$3,538,075</b>                       |

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## STATEMENTS OF CHANGES IN NET ASSETS

|  | All-Asset<br>Conservative Strategy Fund   |                                    | All-Asset<br>Moderate Strategy Fund       |                                    |
|--|---|------------------------------------|---|------------------------------------|
|  | Period<br>Ended<br>September 30,<br>2009† | Year<br>Ended<br>March 31,<br>2009 | Period<br>Ended<br>September 30,<br>2009† | Year<br>Ended<br>March 31,<br>2009 |
| <b>FROM OPERATIONS</b>   |   |                                    |   |                                    |
| Net Investment Income  | \$ 39,021                                 | \$ 407,727                         | \$ 59,860                                 | \$ 665,906                         |
| Net Realized Gain (Loss) on Investments                                | 162,713                                   | (2,848,339)                        | (422,535)                                 | (10,604,666)                       |
| Net Change in Unrealized Appreciation (Depreciation)<br>on Investments | 1,520,588                                 | (168,692)                          | 6,895,576                                 | (208,696)                          |
| Net Increase (Decrease) in Net Assets from Operations                  | 1,722,322                                 | (2,609,304)                        | 6,532,901                                 | (10,147,456)                       |
| <b>DISTRIBUTIONS TO SHAREHOLDERS FROM:*</b>                            |   |                                    |   |                                    |
| Net Investment Income  |   |                                    |   |                                    |
| A-Class  | —   | (46,893)                           | —   | (17,007)                           |
| C-Class  | —   | (72,527)                           | —   | (45,786)                           |
| H-Class  | —   | (62,462)                           | —   | (16,709)                           |
| Realized Gain on Investments   |   |                                    |   |                                    |
| A-Class  | —   | (55,079)                           | —   | (117,048)                          |
| C-Class  | —   | (85,187)                           | —   | (315,116)                          |
| H-Class  | —   | (73,366)                           | —   | (114,994)                          |
| Total Distributions to Shareholders                                    | —   | (395,514)                          | —   | (626,660)                          |
| <b>SHARE TRANSACTIONS</b>  |   |                                    |   |                                    |
| <b>Proceeds from Shares Purchased</b>                                  |   |                                    |   |                                    |
| A-Class  | 2,060,998                                 | 3,184,417                          | 3,142,893                                 | 4,027,378                          |
| C-Class  | 3,619,509                                 | 5,193,932                          | 4,047,619                                 | 7,691,246                          |
| H-Class  | 463,324                                   | 4,206,848                          | 1,118,221                                 | 7,667,158                          |
| <b>Redemption Fees Collected</b>                                       |   |                                    |   |                                    |
| A-Class  | 533                                       | 1,241                              | 732                                       | 2,207                              |
| C-Class  | 1,402                                     | 1,673                              | 1,625                                     | 7,040                              |
| H-Class  | 658                                       | 1,835                              | 550                                       | 3,070                              |
| <b>Value of Shares Purchased through Dividend Reinvestment</b>         |   |                                    |   |                                    |
| A-Class  | —   | 78,514                             | —   | 123,280                            |
| C-Class  | —   | 146,760                            | —   | 345,607                            |
| H-Class  | —   | 123,401                            | —   | 123,890                            |
| <b>Cost of Shares Redeemed</b>   |   |                                    |   |                                    |
| A-Class  | (1,820,427)                               | (4,554,407)                        | (2,798,990)                               | (4,511,332)                        |
| C-Class  | (1,825,919)                               | (4,224,264)                        | (5,088,846)                               | (13,987,437)                       |
| H-Class  | (535,295)                                 | (7,270,527)                        | (2,032,086)                               | (10,502,859)                       |
| <b>Net Increase (Decrease) in Net Assets From Share Transactions</b>   | 1,964,783                                 | (3,110,577)                        | (1,608,282)                               | (9,010,752)                        |
| Net Increase (Decrease) in Net Assets                                  | 3,687,105                                 | (6,115,395)                        | 4,924,619                                 | (19,784,868)                       |
| <b>NET ASSETS—BEGINNING OF PERIOD</b>                                  | 10,403,730                                | 16,519,125                         | 32,070,280                                | 51,855,148                         |
| <b>NET ASSETS—END OF PERIOD</b>  | \$14,090,835                              | \$10,403,730                       | \$36,994,899                              | \$ 32,070,280                      |
| <b>Undistributed Net Investment Income—End of Period</b>               | \$ 308,896                                | \$ 269,875                         | \$ 737,884                                | \$ 678,024                         |

\* For financial reporting purposes, certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains.

† Unaudited

| <b>All-Asset<br/>Aggressive Strategy Fund</b> |                                    |
|---|------------------------------------|
| Period<br>Ended<br>September 30,<br>2009†     | Year<br>Ended<br>March 31,<br>2009 |
| \$ 2,103                                      | \$ 184,349                         |
| 372,180                                       | (5,284,888)                        |
| 3,163,792                                     | 200,395                            |
| 3,538,075                                     | (4,900,144)                        |
| —   | (184,383)                          |
| —   | (128,799)                          |
| —   | (92,075)                           |
| —   | (3,482)                            |
| —   | (2,432)                            |
| —   | (1,737)                            |
| —   | (412,908)                          |
| 591,935                                       | 1,619,522                          |
| 1,310,851                                     | 2,809,535                          |
| 691,794                                       | 3,059,297                          |
| 207   | 2,032                              |
| 192   | 1,514                              |
| 124   | 1,035                              |
| —   | 97,327                             |
| —   | 122,413                            |
| —   | 93,386                             |
| (1,113,096)                                   | (2,545,792)                        |
| (891,142)                                     | (2,647,763)                        |
| (1,095,360)                                   | (3,224,177)                        |
| (504,495)                                     | (611,671)                          |
| 3,033,580                                     | (5,924,723)                        |
| 13,295,703                                    | 19,220,426                         |
| \$16,329,283                                  | \$13,295,703                       |
| \$ 196,810                                    | \$ 194,707                         |

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share outstanding throughout each period, and to assist shareholders in evaluating a Fund's performance in evaluating a Fund's performance for the periods presented.

| Period Ended  | RATIOS TO AVERAGE NET ASSETS:        |                               |   |  |   |  |                     |                           |                                |                           |                   | Net Assets, End of Period (000's omitted) |                              |
|---|--------------------------------------|-------------------------------|---|--|---|--|---------------------|---------------------------|--------------------------------|---------------------------|-------------------|---|------------------------------|
|   | NET ASSET VALUE, BEGINNING OF PERIOD | Net Investment Income (Loss)† | Net Realized and Unrealized Gains (Losses) on Investments | Net Increase (Decrease) in Net Asset Value Resulting from Operations | Distributions from Net Investment Income*** | Distributions from Net Realized Gains*** | Total Distributions | Redemption Fees Collected | NET ASSET VALUE, END OF PERIOD | Total Investment Return†† | Total Expenses††† |   | Net Investment Income (Loss) |
| <b>All-Asset Conservative Strategy Fund A-Class</b> |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | \$ 8.64                              | \$ .05                        | \$ 1.28   | \$ 1.33  | \$ —  | \$ —                                     | \$ —                | \$ —                      | \$ 9.97                        | 15.39%                    | 0.00%**           | 1.00%**                                   | 107%                         |
| March 31, 2009                                      | 10.74                                | .28                           | (2.08)  | (1.80)   | (.16)                                       | (.30)                                    | (.30)               | —                         | 8.64                           | (17.05)%                  | 0.00%             | 2.84%                                     | 230%                         |
| March 31, 2008                                      | 10.70                                | .26                           | .12   | .38  | (.14)                                       | (.36)                                    | (.36)               | .02                       | 10.74                          | 3.70%                     | 0.01%             | 2.39%                                     | 119%                         |
| March 31, 2007*                                     | 10.00                                | .20                           | .56   | .76  | —   | (.09)                                    | (.09)               | .03                       | 10.70                          | 7.94%                     | 0.01%**           | 2.47%**                                   | 105%                         |
| <b>All-Asset Conservative Strategy Fund C-Class</b> |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 8.46                                 | .01                           | 1.26  | 1.27   | —   | —  | —                   | —                         | 9.73                           | 15.01%                    | 0.75%**           | 0.30%**                                   | 107%                         |
| March 31, 2009                                      | 10.60                                | .28                           | (2.12)  | (1.84)   | (.16)                                       | (.30)                                    | (.30)               | —                         | 8.46                           | (17.65)%                  | 0.75%             | 2.87%                                     | 230%                         |
| March 31, 2008                                      | 10.65                                | .17                           | .12   | .29  | (.14)                                       | (.36)                                    | (.36)               | .02                       | 10.60                          | 2.86%                     | 0.75%             | 1.53%                                     | 119%                         |
| March 31, 2007*                                     | 10.00                                | .08                           | .63   | .71  | —   | (.09)                                    | (.09)               | .03                       | 10.65                          | 7.44%                     | 0.76%**           | 1.05%**                                   | 105%                         |
| <b>All-Asset Conservative Strategy Fund H-Class</b> |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 8.65                                 | .05                           | 1.28  | 1.33   | —   | —  | —                   | —                         | 9.98                           | 15.38%                    | 0.00%**           | 1.02%**                                   | 107%                         |
| March 31, 2009                                      | 10.75                                | .31                           | (2.11)  | (1.80)   | (.16)                                       | (.30)                                    | (.30)               | —                         | 8.65                           | (17.03)%                  | 0.00%             | 3.14%                                     | 230%                         |
| March 31, 2008                                      | 10.71                                | .25                           | .13   | .38  | (.14)                                       | (.36)                                    | (.36)               | .02                       | 10.75                          | 3.69%                     | 0.01%             | 2.28%                                     | 119%                         |
| March 31, 2007*                                     | 10.00                                | .15                           | .62   | .77  | —   | (.09)                                    | (.09)               | .03                       | 10.71                          | 8.04%                     | 0.01%**           | 1.93%**                                   | 105%                         |
| <b>All-Asset Moderate Strategy Fund A-Class</b>     |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 7.93                                 | .03                           | 1.65  | 1.68   | —   | —  | —                   | —                         | 9.61                           | 21.19%                    | 0.00%**           | 0.77%**                                   | 93%                          |
| March 31, 2009                                      | 10.18                                | .20                           | (2.31)  | (2.11)   | (.12)                                       | (.14)                                    | (.14)               | —                         | 7.93                           | (20.85)%                  | 0.00%             | 2.14%                                     | 220%                         |
| March 31, 2008                                      | 10.56                                | .17                           | (.24)   | (.07)  | (.12)                                       | (.31)                                    | (.31)               | —                         | 10.18                          | (0.75)%                   | 0.01%             | 1.58%                                     | 125%                         |
| March 31, 2007*                                     | 10.00                                | .18                           | .79   | .97  | (.32)                                       | (.42)                                    | (.42)               | .01                       | 10.56                          | 9.90%                     | 0.00%**           | 2.26%**                                   | 66%                          |
| <b>All-Asset Moderate Strategy Fund C-Class</b>     |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 7.77                                 | —                             | 1.61  | 1.61   | —   | —  | —                   | —                         | 9.38                           | 20.72%                    | 0.75%**           | 0.01%**                                   | 93%                          |
| March 31, 2009                                      | 10.05                                | .11                           | (2.25)  | (2.14)   | (.12)                                       | (.14)                                    | (.14)               | —                         | 7.77                           | (21.42)%                  | 0.75%             | 1.22%                                     | 220%                         |
| March 31, 2008                                      | 10.50                                | .10                           | (.24)   | (.14)  | (.12)                                       | (.31)                                    | (.31)               | —                         | 10.05                          | (1.43)%                   | 0.76%             | 0.90%                                     | 125%                         |
| March 31, 2007*                                     | 10.00                                | .11                           | .80   | .91  | (.32)                                       | (.42)                                    | (.42)               | .01                       | 10.50                          | 9.29%                     | 0.75%**           | 1.34%**                                   | 66%                          |
| <b>All-Asset Moderate Strategy Fund H-Class</b>     |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 7.94                                 | .03                           | 1.65  | 1.68   | —   | —  | —                   | —                         | 9.62                           | 21.16%                    | 0.00%**           | 0.75%**                                   | 93%                          |
| March 31, 2009                                      | 10.18                                | .16                           | (2.26)  | (2.10)   | (.12)                                       | (.14)                                    | (.14)               | —                         | 7.94                           | (20.75)%                  | 0.00%             | 1.73%                                     | 220%                         |
| March 31, 2008                                      | 10.56                                | .13                           | (.20)   | (.07)  | (.12)                                       | (.31)                                    | (.31)               | —                         | 10.18                          | (0.75)%                   | 0.01%             | 1.22%                                     | 125%                         |
| March 31, 2007*                                     | 10.00                                | .18                           | .79   | .97  | (.32)                                       | (.42)                                    | (.42)               | .01                       | 10.56                          | 9.90%                     | 0.00%**           | 2.32%**                                   | 66%                          |
| <b>All-Asset Aggressive Strategy Fund A-Class</b>   |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 6.98                                 | .01                           | 1.90  | 1.91   | —   | —  | —                   | —                         | 8.89                           | 27.36%                    | 0.00%**           | 0.30%**                                   | 86%                          |
| March 31, 2009                                      | 9.69                                 | .12                           | (2.60)  | (2.48)   | (.01)                                       | (.23)                                    | (.23)               | —                         | 6.98                           | (25.81)%                  | 0.02%             | 1.40%                                     | 278%                         |
| March 31, 2008                                      | 10.28                                | .11                           | (.48)   | (.37)  | (.16)                                       | (.22)                                    | (.22)               | —                         | 9.69                           | (3.77)%                   | 0.01%             | 1.01%                                     | 120%                         |
| March 31, 2007*                                     | 10.00                                | .24                           | .77   | 1.01   | (.64)                                       | (.74)                                    | (.74)               | .01                       | 10.28                          | 10.37%                    | 0.00%**           | 3.11%**                                   | 92%                          |
| <b>All-Asset Aggressive Strategy Fund C-Class</b>   |                                      |                               |   |  |   |  |                     |                           |                                |                           |                   |   |                              |
| September 30, 2009 <sup>Δ</sup>                     | 6.82                                 | (.02)                         | 1.86  | 1.84   | —   | —  | —                   | —                         | 8.66                           | 26.98%                    | 0.75%**           | (0.44)**                                  | 86%                          |
| March 31, 2009                                      | 9.56                                 | .05                           | (2.56)  | (2.51)   | (.01)                                       | (.23)                                    | (.23)               | —                         | 6.82                           | (26.48)%                  | 0.77%             | 0.59%                                     | 278%                         |
| March 31, 2008                                      | 10.22                                | .06                           | (.50)   | (.44)  | (.16)                                       | (.22)                                    | (.22)               | —                         | 9.56                           | (4.48)%                   | 0.76%             | 0.60%                                     | 120%                         |
| March 31, 2007*                                     | 10.00                                | (.03)                         | .98   | .95  | (.64)                                       | (.74)                                    | (.74)               | .01                       | 10.22                          | 9.76%                     | 0.75%**           | (0.34)**                                  | 92%                          |

## FINANCIAL HIGHLIGHTS (concluded)

This table is presented to show selected data for a share outstanding throughout each period, and to assist shareholders in evaluating a Fund's performance for the periods presented.

| Period Ended                                      | NET ASSET VALUE     |               | Net Investment Income | Net Increase (Decrease) in Net Asset Value Resulting from Operations | Distributions from Net Investment Income*** | Distributions from Net Realized Gains*** | Total Distributions | Redemption Fees Collected | NET ASSET VALUE, END OF PERIOD | Total Investment Return††† | RATIOS TO AVERAGE NET ASSETS: |                       |                         | Net Assets, End of Period (000's omitted) |
|---|---------------------|---------------|-----------------------|--|---|--|---------------------|---------------------------|--------------------------------|----------------------------|-------------------------------|-----------------------|-------------------------|---|
|   | BEGINNING OF PERIOD | END OF PERIOD |                       |  |   |  |                     |                           |                                |                            | Total Expenses††              | Net Investment Income | Portfolio Turnover Rate |   |
| <b>All-Asset Aggressive Strategy Fund H-Class</b> |                     |               |                       |  |   |  |                     |                           |                                |                            |                               |                       |                         |   |
| September 30, 2009 <sup>Δ</sup>                   | \$ 6.97             | \$ 8.89       | \$ .01                | \$ 1.92  | \$ —  | \$ —                                     | \$ —                | \$ —                      | \$ 8.89                        | 27.55%                     | 0.00%**                       | 0.30%**               | 86%                     | \$ 3,658                                  |
| March 31, 2009                                    | 9.69                | 6.97          | .11                   | (2.49)   | (.22)                                       | (.01)                                    | (.23)               | —                         | 6.97                           | (25.92)%                   | 0.02%                         | 1.22%                 | 278%                    | 3,240                                     |
| March 31, 2008                                    | 10.29               | 9.69          | .08                   | (.38)  | (.06)                                       | (.16)                                    | (.22)               | —                         | 9.69                           | (3.87)%                    | 0.01%                         | 0.80%                 | 120%                    | 4,447                                     |
| March 31, 2007*                                   | 10.00               | 10.29         | .15                   | 1.02   | (.10)                                       | (.64)                                    | (.74)               | .01                       | 10.29                          | 10.48%                     | 0.00%**                       | 1.94%**               | 92%                     | 6,486                                     |

\* Since the commencement of operations: June 30, 2006.

\*\* Annualized

\*\*\* For financial reporting purposes, certain distributions from net investment income for federal income tax purposes have been reclassified to distributions from realized gains.

† Calculated using the average daily shares outstanding for the period.

†† Does not include expenses of the underlying funds in which the Funds invest.

††† Total investment return does not reflect the impact of any applicable sales charges and has not been annualized.

\$ Less than \$.01 per share.

Δ Unaudited

## 1. Organization and Significant Accounting Policies Organization

The Rydex Series Funds (the "Trust") is registered with the SEC under the Investment Company Act of 1940 (the "1940 Act") as a non-diversified, open-ended investment company. The Trust offers six separate classes of shares, Investor Class shares, Investor2 Class shares, Advisor Class shares, A-Class shares, C-Class shares, and H-Class shares. C-Class shares have a 1% contingent deferred sales charge ("CDSC") if shares are redeemed within 12 months of purchase. Sales of shares of each Class are made without a sales charge at the net asset value per share, with the exception of A-Class shares. A-Class shares are sold at net asset value, plus the applicable front-end sales charge, except for U.S. Government Money Market Fund. The sales charge varies depending on the amount purchased, but will not exceed 4.75%. A-Class share purchases of \$1 million or more are exempt from the front-end sales charge but have a 1% CDSC if shares are redeemed within 18 months of purchase.

At September 30, 2009, the Trust consisted of fifty-five separate Funds. This report covers the Asset Allocation Funds (the "Funds"), while the other Funds are contained in separate reports.

Each Fund is a "fund of funds," which means that each Fund seeks to achieve its investment objective by investing primarily in a combination of funds within the same group of affiliated investment companies; the SGI Funds, which are advised by Security Investors, LLC and Security Global Investors, LLC (collectively, "Security Global Investors"), the Rydex family of mutual funds (the "underlying funds") and in exchange-traded funds ("ETFs") instead of in individual securities. Rydex investments, is an indirect subsidiary of, and Security Global Investors is a direct subsidiary of Security Benefit Corporation. At September 30, 2009, only A-Class, C-Class and H-Class shares had been issued by the Funds. All share classes of the Funds are subject to a 1% redemption fee if redeemed within 30 days of purchase.

Rydex Investments provides advisory, transfer agent and administrative services, and accounting services to the Trust. Rydex Distributors, Inc. (the "Distributor") acts as principal underwriter for the Trust. Both Rydex Investments and the Distributor are affiliated entities.

### Significant Accounting Policies

The following significant accounting policies and the preparation of financial statements are in conformity with U.S. generally accepted accounting principles and are consistently followed by the Trust. This requires

management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All time references are based on Eastern Time.

**A.** The underlying funds are valued at their Net Asset Value ("NAV") as of the close of business, usually 4:00 p.m. on the valuation date. ETFs and closed-end investment companies are valued at the last quoted sales price. Debt securities in a non 2a-7 money market fund with a maturity greater than 60 days are valued at the last traded fill price at the close of business, unless no trades were executed. If there are no trades, a security is valued at the reported bid price, at the close of business. Short-term securities with a maturity of 60 days or less are valued at amortized cost, which approximates market value.

**B.** Securities transactions are recorded on the trade date for financial reporting purposes. Realized gains and losses from securities transactions are recorded using the identified cost basis. Dividend income is recorded on the ex-dividend date, net of applicable taxes withheld by foreign countries. Taxable non-cash dividends are recorded as dividend income. Interest income, including amortization of premiums and accretion of discount, is accrued on a daily basis.

**C.** Interest and dividend income, most expenses, all realized gains and losses, and all unrealized gains and losses are allocated to the Classes based upon the value of the outstanding shares in each Class. Certain costs, such as distribution and service fees related to C-Class shares, are charged directly to such class. In addition, certain expenses have been allocated to the individual Funds in the Trust on a pro rata basis upon the respective aggregate net assets of each Fund included in the Trust.

**D.** Distributions of net investment income and net realized capital gains, if any, are declared and paid at least annually. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations which may differ from U.S. generally accepted accounting principles.

**E.** The Funds may also purchase American Depository Receipts, U.S. Government securities, Commercial Paper and enter into repurchase agreements.

**F.** Throughout the normal course of business, the Funds and the underlying funds enter into contracts that contain a variety of representations and warranties

which provide general indemnifications. The maximum exposure under these arrangements is unknown, as this would involve future claims that may be made that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

### **2. Financial Instruments**

As part of their investment strategies, the underlying funds may utilize short sales and a variety of derivative instruments including, options, futures, options on futures, structured notes and swap agreements. These investments involve, to varying degrees, elements of market risk and risks in excess of the amounts reflected in the underlying funds' NAVs.

A short sale is a transaction in which an underlying fund sells an equity or fixed income security it does not own. If the security sold short goes down in price between the time the underlying fund sells the security and closes its short position, that underlying fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, that underlying fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

The risk associated with purchasing options is limited to the premium originally paid. The risk in writing a covered call option is that an underlying fund may forego the opportunity for profit if the market price of the underlying security increases and the option is exercised. The risk in writing a covered put option is that an underlying fund may incur a loss if the market price of the underlying security decreases and the option is exercised. In addition, there is the risk that an underlying fund may not be able to enter into a closing transaction because of an illiquid secondary market or, for over-the-counter options, because of the counterparty's inability to perform.

There are several risks in connection with the use of futures contracts. Risks may be caused by an imperfect correlation between movements in the price of the instruments and the price of the underlying securities. In addition, there is the risk that an underlying fund may not be able to enter into a closing transaction because of an illiquid secondary market.

There are several risks associated with the use of structured notes. Structured securities are leveraged, thereby providing an exposure to the underlying benchmark greater than the face amount and increasing the volatility of each note relative to the change in the underlying linked financial instrument. A highly liquid secondary market may not exist for the structured

notes an underlying fund invests in which may make it difficult for that underlying fund to sell the structured notes it holds at an acceptable price or to accurately value them. In addition, structured notes are subject to the risk that the counterparty to the instrument, or issuer, might not pay interest when due or repay principal at maturity of the obligation. Although the Trust will not invest in any structured notes unless Rydex Investments believes that the issuer is creditworthy, an underlying fund does bear the risk of loss of the amount expected to be received in the event of the default or bankruptcy of the issuer.

There are several risks associated with the use of swap agreements that are different from those associated with ordinary portfolio securities transactions. Swap agreements may be considered to be illiquid. Although the Trust will not enter into any swap agreement unless Rydex Investments believes that the other party to the transaction is creditworthy, the underlying funds bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of the agreement counterparty.

There are several risks associated with credit default swaps. Credit default swaps involve the exchange of a fixed-rate premium for protection against the loss in value of an underlying debt instrument in the event of a defined credit event (such as payment default or bankruptcy). Under the terms of the swap, one party acts as a "guarantor," receiving a periodic payment that is a fixed percentage applied to a notional principal amount. In return, the party agrees to purchase the notional amount of the underlying instrument, at par, if a credit event occurs during the term of the swap. An underlying fund may enter into credit default swaps in which that underlying fund or its counterparty act as guarantors. By acting as the guarantor of a swap, that underlying fund assumes the market and credit risk of the underlying instrument, including liquidity and loss of value.

In conjunction with the use of short sales, options, futures, options on futures, and swap agreements, the underlying funds are required to maintain collateral in various forms. The underlying funds use, where appropriate, depending on the financial instrument utilized and the broker involved, margin deposits at the broker, cash and/or securities segregated at the custodian bank, discount notes, or the repurchase agreements allocated to each underlying fund.

The risks inherent in the use of short sales, options, futures contracts, options on futures contracts, and swap agreements include i) adverse changes in the

value of such instruments; ii) imperfect correlation between the price of the instruments and movements in the price of the underlying securities, indices, or futures contracts; iii) the possible absence of a liquid secondary market for any particular instrument at any time; and iv) the potential of counterparty default. The Trust has established counterparty credit guidelines and enters into transactions only with financial institutions of investment grade or better. The Trust monitors the counterparty credit risk.

### **3. Fees And Other Transactions With Affiliates**

Rydex Investments manages the investment and reinvestment of the assets of each of the Funds in accordance with the investment objectives, policies, and limitations of each Fund, however, the Funds do not pay Rydex Investments a management fee. As part of its agreement with the Trust, Rydex Investments will pay all expenses of the Funds, including the cost of transfer agency, fund administration, audit and other services, excluding interest expense, taxes (expected to be de minimis), brokerage commissions and other expenses connected with the execution of portfolio transactions, short dividend expenses, and extraordinary expenses.

Each Fund indirectly bears a proportionate share of the total operating expenses (including investment management, shareholder servicing, custody, transfer agency, audit and other expenses) of the underlying funds in which the Fund invests. In addition, some underlying funds charge redemption fees if a shareholder, including a Fund, redeems shares before the end of the funds' requisite holding period. Therefore, if a Fund sells shares of an underlying fund that is subject to a redemption fee, that Fund will be responsible for paying the redemption fee to the underlying fund.

Rydex Investments provides transfer agent, accounting services and administrative services to the Funds. However, the related fees are paid by Rydex Investments, as noted above.

The Funds have not adopted a Distribution Plan or a Shareholder Services Plan with respect to A-Class shares and H-Class shares. Instead, the Funds invest in underlying funds that have a distribution plan that allows the underlying funds to pay distribution fees to the Distributor and other firms that provide distribution services ("Service Providers"). The underlying funds will pay distribution fees to the Distributor at an annual rate not to exceed 0.25% of average daily net assets, pursuant to Rule 12b-1 under the 1940 Act, as amended. If a Service Provider provides distribution or

shareholder services, the Distributor will, in turn, pay the Service Provider for the services it provides at an annual rate not to exceed 0.25% of the average daily net assets of a Fund.

The Funds have adopted a Distribution and Shareholder Services Plan applicable to its C-Class shares that allows the Funds to pay annual distribution and service fees of 0.75% of the Funds' C-Class shares average daily net assets. The annual 0.25% service fee compensates the shareholder's financial advisor for providing on-going services to the shareholder. The annual 0.50% distribution fee reimburses the Distributor for paying the shareholder's financial advisor an ongoing sales commission. The Distributor advances the first year's service and distribution fees to the financial advisor. The Distributor retains the service and distribution fees on accounts with no authorized dealer of record.

For the period ended September 30, 2009, the Distributor retained sales charges of \$2,951,197 relating to sales of A-Class shares of the Trust.

Certain officers and trustees of the Trust are also officers of Rydex Investments and the Distributor.

### **4. Federal Income Tax Information**

The Funds intend to comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and will distribute substantially all net investment income and capital gains to shareholders. Therefore, no Federal income tax provision has been recorded.

Tax positions taken or expected to be taken in the course of preparing the Funds' tax returns are evaluated to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management has analyzed the Funds' tax positions taken on federal income tax returns for all open tax years (fiscal years 2006-2009), and has concluded that no provision for income tax is required in the Funds' financial statements.

Income and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from U.S. generally accepted accounting principles. These differences are primarily due to differing treatments for losses deferred due to wash sales, losses deferred due to post-October losses, and excise tax regulations.

Permanent book and tax basis differences, if any, will result in reclassifications. This may include net operat-

## NOTES TO FINANCIAL STATEMENTS *(Unaudited) (continued)*

ing losses not utilized during the current period and capital loss carryforward expired. These reclassifications have no effect on net assets or net asset values per share. Any undistributed ordinary income or long-term capital gain remaining at fiscal year end is distributed in the following year.

The Funds' tax basis capital gains and losses are determined only at the end of each fiscal year. Tax basis capital losses in excess of capital gains are carried forward to offset future net capital gains.

At September 30, 2009, the cost of securities for Federal income tax purposes, the aggregate gross unrealized gain for all securities for which there was an excess of value over tax cost and the aggregate gross unrealized loss for all securities for which there was an excess of tax cost over value, were as follows:

| Fund                                 | Tax Cost     | Tax Unrealized Gain | Tax Unrealized Loss | Net Unrealized Gain |
|--------------------------------------|--------------|---------------------|---------------------|---------------------|
| All-Asset Conservative Strategy Fund | \$12,419,534 | \$1,343,386         | \$ (42,400)         | \$1,300,986         |
| All-Asset Moderate Strategy Fund     | 32,425,554   | 4,378,568           | (133,137)           | 4,245,431           |
| All-Asset Aggressive Strategy Fund   | 14,415,921   | 1,940,526           | (60,542)            | 1,879,984           |

### 5. Repurchase Agreements

The Funds transfer uninvested cash balances into a single joint account, the daily aggregate balance of which is invested in one or more repurchase agreements collateralized by obligations of the U.S. Treasury and U.S. Government Agencies. The collateral is in the possession of the Funds' custodian and is evaluated to ensure that its market value exceeds at a minimum, 102% of the original face amount of the repurchase agreements. Each Fund holds a pro rata share of the collateral based on the dollar amount of the repurchase agreement entered into by each Fund.

The repurchase agreements executed by the joint account and outstanding at September 30, 2009, were as follows:

| Counterparty        | Terms of Agreement | Face Value   | Market Value | Repurchase Price |
|---------------------|--------------------|--------------|--------------|------------------|
| Credit Suisse Group | 0.03% due 10/01/09 | \$64,021,304 | \$64,021,304 | \$64,021,358     |
|                     |                    |              | \$64,021,304 | \$64,021,358     |

At September 30, 2009, the collateral for the repurchase agreements in the joint account was as follows:

| Security Type      | Maturity Dates      | Range of Rates | Par Value    | Market Value |
|--------------------|---------------------|----------------|--------------|--------------|
| U.S. Treasury Bill | 12/10/09 - 04/01/10 | —              | \$65,350,500 | \$65,305,760 |
|                    |                     |                |              | \$65,305,760 |

In the event of counterparty default, the Funds have the right to collect the collateral to offset losses incurred. There is potential loss to the Funds in the event the Funds are delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Funds seek to assert its rights. The Funds' investment advisor, acting under the supervision of the Board of Trustees, reviews the value of the collateral and the credit worthiness of those banks and dealers with which the Funds enter into repurchase agreements to evaluate potential risks.

### 6. Fair Value Measurement

The Funds adopted FASB ASC 820, Fair Value Measurements and Disclosure (ASC 820) (formerly known as FASB 157) effective April 1, 2008. In accordance with ASC 820, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Funds' investments. The inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical securities.

## NOTES TO FINANCIAL STATEMENTS *(Unaudited) (continued)*

Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 — significant unobservable inputs (including the fund's own assumptions used to determine the fair value of investments).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes the inputs used to value the Funds' net assets at September 30, 2009:

| Fund                                 | Level 1<br>Investments<br>In Securities | Level 2<br>Investments<br>In Securities | Level 3<br>Investments<br>In Securities | Total        |
|--------------------------------------|---|---|---|--------------|
| <b>Assets</b>                        |   |   |   |              |
| All-Asset Conservative Strategy Fund | \$14,028,616                            | \$ —                                    | \$ —                                    | \$14,028,616 |
| All-Asset Moderate Strategy Fund     | 36,877,974                              | —                                       | —                                       | 36,877,974   |
| All-Asset Aggressive Strategy Fund   | 16,350,707                              | —                                       | —                                       | 16,350,707   |

In April 2009, the "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ASC 820, provided additional guidance when the volume and level of activity for the asset or liability measured at fair value have significantly decreased. Additionally, ASC 820 expanded disclosure requirements by reporting entities surrounding the major categories of assets and liabilities carried at fair value. ASC 820 is effective for interim and annual periods ending after June 15, 2009. Management has evaluated the impact of adopting ASC 820 on the Funds and has determined that there is no impact to the financial statement disclosures.

### 7. Securities Transactions

For the period ended September 30, 2009, the cost of purchases and proceeds from sales of investment securities, excluding short-term and temporary cash investments, were:

|           | All-Asset<br>Conservative<br>Strategy Fund | All-Asset<br>Moderate<br>Strategy Fund | All-Asset<br>Aggressive<br>Strategy Fund |
|-----------|--|--|--|
| Purchases | \$14,691,242                               | \$32,019,775                           | \$12,787,960                             |
| Sales     | \$12,982,459                               | \$34,148,223                           | \$13,231,464                             |

## NOTES TO FINANCIAL STATEMENTS *(continued)*

### 8. Share Transactions

The Trust is authorized to issue an unlimited number of shares (no par value). Transactions in shares for the periods presented were:

|   | Shares Purchased                 |                           |                                  | Shares Purchased through Dividend Reinvestment |                                  |                           | Shares Redeemed           |                                  |                           | Net Shares Purchased (Redeemed)  |                           |                           |
|---|----------------------------------|---------------------------|----------------------------------|--|----------------------------------|---------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|---------------------------|
|   | Period Ended September 30, 2009† | Year Ended March 31, 2009 | Period Ended September 30, 2009† | Year Ended March 31, 2009                      | Period Ended September 30, 2009† | Year Ended March 31, 2009 | Year Ended March 31, 2009 | Period Ended September 30, 2009† | Year Ended March 31, 2009 | Period Ended September 30, 2009† | Year Ended March 31, 2009 | Year Ended March 31, 2009 |
| <b>All-Asset Conservative Strategy Fund</b> |                                  |                           |                                  |  |                                  |                           |                           |                                  |                           |                                  |                           |                           |
| A-Class                                     | 226,125                          | 321,202                   | —                                | 8,256  | (199,215)                        | (478,729)                 |                           | 26,910                           |                           |                                  | (149,271)                 |                           |
| C-Class                                     | 397,454                          | 537,552                   | —                                | 15,730   | (198,861)                        | (428,353)                 |                           | 198,593                          |                           |                                  | 124,929                   |                           |
| H-Class                                     | 49,190                           | 414,698                   | —                                | 12,949   | (58,269)                         | (730,595)                 |                           | (9,079)                          |                           |                                  | (302,948)                 |                           |
| <b>All-Asset Moderate Strategy Fund</b>     |                                  |                           |                                  |  |                                  |                           |                           |                                  |                           |                                  |                           |                           |
| A-Class                                     | 363,603                          | 449,747                   | —                                | 14,252   | (325,566)                        | (471,088)                 |                           | 38,037                           |                           |                                  | (7,089)                   |                           |
| C-Class                                     | 473,802                          | 851,078                   | —                                | 40,755   | (595,869)                        | (1,604,713)               |                           | (122,067)                        |                           |                                  | (712,880)                 |                           |
| H-Class                                     | 125,207                          | 799,520                   | —                                | 14,323   | (229,413)                        | (1,138,670)               |                           | (104,206)                        |                           |                                  | (324,827)                 |                           |
| <b>All-Asset Aggressive Strategy Fund</b>   |                                  |                           |                                  |  |                                  |                           |                           |                                  |                           |                                  |                           |                           |
| A-Class                                     | 74,264                           | 186,877                   | —                                | 12,823   | (139,120)                        | (314,444)                 |                           | (64,856)                         |                           |                                  | (114,744)                 |                           |
| C-Class                                     | 163,612                          | 356,718                   | —                                | 16,453   | (110,915)                        | (335,001)                 |                           | 52,697                           |                           |                                  | 38,170                    |                           |
| H-Class                                     | 86,608                           | 357,765                   | —                                | 12,304   | (139,685)                        | (364,296)                 |                           | (53,077)                         |                           |                                  | 5,773                     |                           |

† Unaudited

### **9. Line of Credit**

The Trust has secured an uncommitted, \$75,000,000 line of credit with U.S. Bank, N.A. Borrowings, if any, under this arrangement bear interest equal to the Prime Rate, minus 2%, which shall be paid monthly. The maximum loan amount outstanding should not exceed 33⅓% of the market value of the assets of securities belonging to a Fund on any given day. This line of credit expires on June 15, 2010. At September 30, 2009, the Funds did not have any outstanding borrowings under this agreement.

### **10. New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (FASB) established the FASB Accounting Standards Codification™ (ASC) as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with GAAP. The ASC supersedes existing non-grandfathered, non-SEC accounting and reporting standards. The ASC did not change GAAP but rather organized it into a hierarchy where all guidance within the ASC carries an equal level of authority. The ASC become effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC did not have a material effect on the Funds' financial statements.

### **11. Name Changes**

Effective July 1, 2009, the Essential Portfolio Conservative Fund, Essential Portfolio Moderate Fund, and Essential Portfolio Aggressive Fund changed their Fund names to the All-Asset Conservative Strategy Fund, All-Asset Moderate Strategy Fund, and All-Asset Aggressive Strategy Fund, respectively. The name change did not have any impact on the Funds' investment objectives, tickers and CUSIPS.

### **12. Subsequent Events**

Management has evaluated events or transactions that may have occurred since September 30, 2009, that would merit recognition or disclosure in the financial statements. This evaluation was completed through November 23, 2009, the date the financial statements were available to be issued and there were no events or transactions to be reported.

## OTHER INFORMATION *(Unaudited)*

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### **Proxy Voting Information**

A description of the policies and procedures that the Trust uses to determine how to vote proxies relating to securities held in the Funds' portfolios is available, without charge and upon request, by calling 1-800-820-0888. This information is also available from the EDGAR database on the SEC's website at <http://www.sec.gov>.

Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended September 30 is available without charge, upon request, by calling 1-800-820-0888. This information is also available from the EDGAR database on the SEC's website at <http://www.sec.gov>.

### **Quarterly Portfolio Schedules Information**

The Trust files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q; which are available on the SEC's website at <http://www.sec.gov>. The Funds' Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and that information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Copies of the portfolio holdings are also available to shareholders, without charge and upon request, by calling 1-800-820-0888.

### **Rydex Investments Board Review and Approval of the Investment Advisory Agreement**

The Investment Company Act of 1940 (the "1940 Act") requires that the initial approval of, as well as the continuation of, a fund's investment advisory agreement be specifically approved (1) by the vote of the trustees or by a vote of the shareholders of the fund, and (2) by the vote of a majority of the trustees who are not parties to the investment advisory agreement or "interested persons" of any party (the "Independent Trustees"), cast in person at a meeting called for the purpose of voting on such approval. In connection with such approvals, the fund's trustees must request and evaluate, and the investment adviser is required to furnish, such information as may be reasonably necessary to evaluate the terms of the advisory agreement. In addition, the Securities and Exchange Commission (the "SEC") takes the position that, as part of their fiduciary duties with respect to fund fees, fund boards are required to evaluate the material factors applicable to a decision to approve an investment advisory agreement.

Consistent with these responsibilities, the Rydex Series Funds Board of Trustees (the "Board") generally calls and holds one meeting each year that is dedicated to considering whether to renew the investment advisory agreement between Rydex Series Funds (the "Trust") and PADCO Advisors, Inc., which does business under the name Rydex Investments ("Rydex Investments"), (the "Current Agreement") with respect to existing funds in the Trust, including the funds discussed in this Semi-Annual Report (each a "Fund" and collectively, the "Funds"), and to reviewing certain other agreements pursuant to which Rydex Investments provides investment advisory services to certain other registered investment companies. In preparation for the meeting, the Board requests and reviews a wide variety of materials provided by Rydex Investments, including information about Rydex Investments' affiliates, personnel and operations. The Board also receives data provided by third parties, especially with regard to fund sub-advisory agreements. This information is in addition to the detailed information about the Funds that the Board reviews during the course of each year, including information that relates to Fund operations and performance. The Board also receives a memorandum from Fund counsel regarding the responsibilities of the Board for the approval of investment advisory and sub-advisory agreements. In addition, the Independent Trustees receive advice from independent counsel to the Independent Trustees, meet in executive session outside the presence of fund management, and participate in question and answer sessions with representatives of Rydex Investments.

At an in-person meeting held on August 25, 2009, called for the purpose of among other things, voting on the renewal of the investment advisory and sub-advisory agreements applicable to the Funds, the Board, including all the Independent Trustees (the "Annual Renewal Meeting"), considered and approved the selection of Rydex Investments as the Funds' investment advisor and the continuance of the Current Agreement and sub-advisory agreement for an additional one-year period, based on its review of qualitative and quantitative information provided by Rydex Investments.

### **Board Considerations in Approving the Continuation of the Current Agreement**

In preparation for the Annual Renewal Meeting, the Board requested and received written materials from Rydex Investments about: (a) the quality of Rydex Investments' investment management and other services; (b) Rydex Investments' investment management personnel; (c) Rydex Investments' operations and financial condition; (d) Rydex Investments' brokerage practices (including any soft dollar arrangements) and investment strategies; (e) the level of the advisory fees that Rydex Investments charges the Funds compared with the fees it charges to comparable mutual funds

## OTHER INFORMATION *(Unaudited) (continued)*

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or accounts; (f) each Fund's overall fees and operating expenses compared with similar mutual funds; (g) the level of Rydex Investments' profitability from its Fund-related operations; (h) Rydex Investments' compliance systems; (i) Rydex Investments' policies on and compliance procedures for personal securities transactions; (j) Rydex Investments' reputation, expertise and resources in the financial markets; and (k) Fund performance compared with similar mutual funds. Certain of these considerations are discussed in more detail below. In its deliberations at the Annual Renewal Meeting, the Board did not identify any single piece of information that was all-important or controlling. Based on the Board's deliberations and its evaluation of the information referenced above and described in more detail below, the Board, including all of the Independent Trustees, unanimously: (a) concluded that terms of the Current Agreement are fair and reasonable; (b) concluded that Rydex Investments' fees were reasonable in light of the services that Rydex Investments provides to the Funds; and (c) agreed to renew the Current Agreement for an additional one-year term.

In approving the continuation of the Current Agreement at the Annual Renewal Meeting, the Board, including the Independent Trustees advised by independent counsel, considered the factors discussed below.

### *Nature, Extent And Quality Of Services Provided By Rydex Investments*

At the Annual Renewal Meeting, the Board reviewed the scope of services to be provided by Rydex Investments under the Current Agreement and noted that there would be no significant differences between the scope of services required to be provided by Rydex Investments for the past year and the scope of services required to be provided by Rydex Investments for the upcoming year. In reviewing the scope of services provided to the Funds by Rydex Investments, the Board reviewed and discussed Rydex Investments' investment experience, noting that Rydex Investments and its affiliates have committed significant resources over time to the support of the Funds. The Board also considered Rydex Investments' compliance program and its compliance record with respect to the Funds. In that regard, the Board noted that Rydex Investments provides information regarding the portfolio management and compliance to the Board on a periodic basis in connection with regularly scheduled meetings of the Board. In addition to the above considerations, the Board reviewed and considered Rydex Investments' investment processes and strategies, and matters related to Rydex Investments' portfolio transaction policies and procedures. With respect to those Funds that invest in unaffiliated ETFs in reliance on exemptive orders pursuant to Section 12(d)(1), the Board considered and determined that the advisory fees charged under the Current Agreements are based on services provided that will be in addition to, rather than duplicative of, the services provides under the investment advisory agreement of any ETF in which the Funds are invested. In particular, the Board recognized that Rydex Investments must manage a Fund's investment in an unaffiliated ETF in the same manner as other investments in the Fund's portfolio in order to ensure that the Fund achieves its investment objective. Thus, a Fund's investment in an unaffiliated ETF does not alleviate Rydex Investments' duties and responsibilities as investment adviser to the Fund. The Board also noted the substantial volume of portfolio trades and shareholder transaction activity, in general, processed by Rydex Investments due to the unlimited exchange policy of the majority of the Funds. The Board further noted that the Funds have consistently met their investment objectives since their respective inception dates. Based on this review, the Board concluded that the nature, extent, and quality of services to be provided by Rydex Investments to the Funds under the Current Agreement were appropriate and continued to support the Board's original selection of Rydex Investments as investment adviser to the Funds.

### *Fund Expenses And Performance Of The Funds And Rydex Investments*

At the Annual Renewal Meeting, the Board reviewed statistical information prepared by Rydex Investments regarding the expense ratio components, including actual advisory fees, waivers/reimbursements, and gross and net total expenses of each Fund in comparison with the same information for other funds registered under the 1940 Act determined by Rydex Investments to comprise each Fund's applicable peer group. Because few funds seek to provide unlimited exchange privileges similar to those of the majority of the Funds, some of the Funds' applicable peer group is generally limited to the funds of two unaffiliated mutual fund families. In addition, the Board reviewed statistical information prepared by Rydex Investments relating to the performance of each Fund, as well as each Fund's ability to successfully track its benchmark over time, and a comparison of each Fund's performance to funds with similar investment objectives for the same periods and to appropriate indices/benchmarks, in light of total return, yield and market trends. The Board further noted that despite the unique nature of the Funds, the peer fund information presented to the Board was meaningful because the peer funds' investment objectives and strategies were closely aligned with those of the Funds. The Board noted that most of the Funds either outperformed their peer funds or performed in line with them over relevant periods. The Board also noted that the investment advisory fees for the Funds were equivalent to those of their peers and that the overall expenses for the Funds were only slightly higher than the total expenses of the peer

## OTHER INFORMATION *(Unaudited) (concluded)*

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funds, due in part to differing share classes and distribution fees. Based on this review, the Board concluded that the investment advisory fees and expense levels and the historical performance of the Funds, as managed by Rydex Investments, as compared to the investment advisory fees and expense levels and performance of the peer funds, were satisfactory for the purposes of approving the continuance of the Current Agreement.

### *Costs Of Services Provided To The Funds And Profits Realized By Rydex Investments And Its Affiliates*

At the Annual Renewal Meeting, the Board reviewed information about the profitability of the Funds to Rydex Investments based on the advisory fees payable under the Current Agreement for the last calendar year. Rydex Investments also presented the Board with material discussing its methodology for determining the level of advisory fees assessable to the Funds. The Board analyzed the Funds' expenses, including the investment advisory fees paid to Rydex Investments. The Board also reviewed information regarding direct revenue received by Rydex Investments and ancillary revenue received by Rydex Investments and/or its affiliates in connection with the services provided to the Funds by Rydex Investments (as discussed below) and/or its affiliates. The Board also discussed Rydex Investments' profit margin as reflected in Rydex Investments' profitability analysis and reviewed information regarding economies of scale (as discussed below). Based on this review, the Board concluded that the profits to be realized by Rydex Investments and its affiliates under the Current Agreement and from other relationships between the Funds and Rydex Investments and/or its affiliates, if any, were within the range the Board considered reasonable and appropriate.

### *Economies Of Scale*

In connection with its review of the Funds' profitability analysis at the Annual Renewal Meeting, the Board reviewed information regarding economies of scale or other efficiencies that may result from increases in the Funds' asset levels. The Board noted that the Current Agreement did not provide for any breakpoints in the investment advisory fees as a result of increases in the asset levels of the Funds. The Board also noted that though Rydex Investments' assets under management were significant, the amount is spread among more than 100 Funds. Further limiting the realization of economies of scale, is the ability of shareholders of many of the Funds to engage in unlimited trading. The Board also reviewed and considered Rydex Investments' historic profitability as investment adviser to the Funds and determined that reductions in advisory fees or additions of breakpoints were not warranted at this juncture. Based on this review, the Board, recognizing its responsibility to consider this issue at least annually, determined that the economies of scale, if any, were de minimis.

### *Other Benefits To Rydex Investments And/Or Its Affiliates*

At the Annual Renewal Meeting, in addition to evaluating the services provided by Rydex Investments, the Board also considered the nature, extent, quality and cost of the administrative, distribution, and shareholder services performed by Rydex Investments' affiliates under separate agreements. The Board noted that Rydex Investments reports its use of soft dollars to the Board on a quarterly basis, as well as any portfolio transactions on behalf of the Funds placed through an affiliate of the Funds or Rydex Investments pursuant to Rule 17e-1 under the 1940 Act. Based on its review, the Board concluded that the nature and quality of the services provided by Rydex Investments' affiliates to each Trust will benefit the Funds' shareholders, and that any ancillary benefits would not be disadvantageous to the Funds' shareholders, particularly in light of the Board's view that the Funds' shareholders benefit from investing in a fund that is part of a large family of funds offering a variety of investment strategies and services.

## INFORMATION ON BOARD OF TRUSTEES AND OFFICERS *(Unaudited)*

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A Board of Trustees oversees all Rydex Investments, in which its members have no stated term of service, and continue to serve after election until resignation. The Statement of Additional Information includes further information about Fund Trustees and Officers, and can be obtained without charge by calling 1-800-820-0888.

All Trustees and Officers may be reached c/o Rydex Investments, 9601 Blackwell Rd., Suite 500, Rockville, MD 20850.

### INDEPENDENT TRUSTEES

| Name, Position and<br>Year of Birth  | Length of Service As Trustee<br>(Year Began)   | Number of<br>Funds Overseen |
|--|--|-----------------------------|
| <b>John O. Demaret</b><br>Trustee, Chairman of the<br>Board (1940)   | Rydex Series Funds – 1997<br>Rydex Variable Trust – 1998<br>Rydex Dynamic Funds – 1999<br>Rydex ETF Trust – 2003 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Retired   |  |                             |
| <b>Corey A. Colehour</b><br>Trustee (1945)   | Rydex Series Funds – 1993<br>Rydex Variable Trust – 1998<br>Rydex Dynamic Funds – 1999<br>Rydex ETF Trust – 2003 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Retired (2006 to present); Owner and President of Schield Management Company, registered investment adviser (2005 to 2006); Senior Vice President of Marketing and Co-Owner of Schield Management Company, registered investment adviser (1985 to 2005) |  |                             |
| <b>J. Kenneth Dalton</b><br>Trustee (1941)   | Rydex Series Funds – 1995<br>Rydex Variable Trust – 1998<br>Rydex Dynamic Funds – 1999<br>Rydex ETF Trust – 2003 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Mortgage Banking Consultant and Investor, The Dalton Group  |  |                             |
| <b>Werner E. Keller</b><br>Trustee (1940)  | Rydex Series Funds – 2005<br>Rydex Variable Trust – 2005<br>Rydex Dynamic Funds – 2005<br>Rydex ETF Trust – 2005 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Retired (2001 to present); Chairman, Centurion Capital Management (1991 to 2001)  |  |                             |
| <b>Thomas F. Lydon, Jr.</b><br>Trustee (1960)  | Rydex Series Funds – 2005<br>Rydex Variable Trust – 2005<br>Rydex Dynamic Funds – 2005<br>Rydex ETF Trust – 2005 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> President, Global Trends Investments  |  |                             |
| <b>Patrick T. McCarville</b><br>Trustee (1942)   | Rydex Series Funds – 1997<br>Rydex Variable Trust – 1998<br>Rydex Dynamic Funds – 1999<br>Rydex ETF Trust – 2003 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Founder and Chief Executive Officer, Par Industries, Inc.   |  |                             |
| <b>Roger Somers</b><br>Trustee (1944)  | Rydex Series Funds – 1993<br>Rydex Variable Trust – 1998<br>Rydex Dynamic Funds – 1999<br>Rydex ETF Trust – 2003 | 151                         |
| <b>Principal Occupations During Past Five Years:</b> Owner, Arrow Limousine  |  |                             |

## INFORMATION ON BOARD OF TRUSTEES AND OFFICERS *(Unaudited) (continued)*

### TRUSTEE

| Name, Position and<br>Year of Birth           | Length of Service As Trustee<br>(Year Began)   | Number of<br>Funds Overseen |
|---|--|-----------------------------|
| <b>Carl G. Verboncoeur*</b><br>Trustee (1952) | Rydex Series Funds – 2004<br>Rydex Variable Trust – 2004<br>Rydex Dynamic Funds – 2004<br>Rydex ETF Trust – 2004 | 151                         |

**Principal Occupations During Past Five Years:** President of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2003 to 2009); Chief Executive Officer of Rydex Investments and Rydex Distributors, Inc. (2003 to 2009); Treasurer of Rydex Investments and Rydex Distributors, Inc. (2002 to 2009); Director of Rydex Investments and Rydex Distributors, Inc. (2008 to 2009); Treasurer of Rydex Specialized Products, LLC (2005 to 2009); Chief Executive Officer of Rydex Specialized Products, LLC (2005 to 2009); Manager, President, and Chief Executive Officer of Rydex Holdings, LLC (2008 to 2009)

### EXECUTIVE OFFICERS

| Name, Position and<br>Year of Birth                       | Principal Occupations<br>During Past Five Years  |
|---|--|
| <b>Richard M. Goldman*</b><br>President (1961)            | President of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2009 to present); Chief Executive Officer and Director of Rydex Investments (2009 to present); President, Chief Executive Officer and Director of Rydex Distributors, Inc. (2009 to present); President and Chief Executive Officer of Rydex Holdings, LLC (2009 to present); Senior Vice President of Security Benefit Corp. (2007 to present); Director of First Security Benefit Life and Annuity Insurance Company of New York (2007 to present); Director of Security Distributors, Inc. (2007 to present); President of Security Investors, LLC (2007 to present); Manager and President of Security Global Investors, LLC (2007 to present); Managing Member of R.M. Goldman Partners, LLC (2006 to 2007); President and Chief Executive Officer of FortsmannLeff Associates (2003 to 2005) |
| <b>Michael P. Byrum*</b><br>Vice President (1970)         | Vice President of Rydex Series Funds (1997 to present); Vice President of Rydex Variable Trust (1998 to present); Vice President of Rydex Dynamic Funds (1999 to present); President of Rydex Investments (2004 to present); Chief Investment Officer of Rydex Investments (2006 to present); Secretary of Rydex Investments (2002 to present); Director of Rydex Investments (2008 to present); Chief Investment Officer of Rydex Holdings, LLC (2008 to present); Vice President of Rydex Distributors, Inc. (2009 to present); Manager of Rydex Specialized Products, LLC (2005 to present); Secretary of Rydex Specialized Products, LLC (2005 to 2008); Trustee of Rydex Series Funds, Rydex Variable Trust and Rydex Dynamic Funds (2005 to 2009); Vice President of Rydex ETF Trust (2002 to present); President and Trustee of Rydex Capital Partners SPhinX Fund (2003 to 2007)           |
| <b>Nick Bonos*</b><br>Vice President and Treasurer (1963) | Vice President and Treasurer of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2003 to present); Senior Vice President of Rydex Investments (2006 to present); Chief Executive Officer of Rydex Specialized Products, LLC (2009 to present); Chief Financial Officer of Rydex Specialized Products, LLC (2005 to 2009); Vice President and Treasurer of Rydex Capital Partners SPhinX Fund (2003 to 2006)  |

## INFORMATION ON BOARD OF TRUSTEES AND OFFICERS *(Unaudited) (concluded)*

### EXECUTIVE OFFICERS -concluded

| <u>Name, Position and<br/>Year of Birth</u>  | <u>Principal Occupations<br/>During Past Five Years</u>  |
|--|--|
| <p><b>Joanna M. Haigney*</b><br/>Chief Compliance Officer and<br/>Secretary (1966)</p> | <p>Chief Compliance Officer of Rydex Series Funds, Rydex Variable Trust, and Rydex Dynamic Funds (2004 to present); Secretary of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds (2000 to present); Secretary of Rydex ETF Trust (2002 to present); Chief Compliance Officer of Rydex Investments (2005 to present) Vice President of Compliance of Rydex Investments (2006 to present); Director of Rydex Distributors, Inc. (2009 to present); Secretary of Rydex Capital Partners SPhinX Fund (2003 to 2006)</p>  |
| <p><b>Keith Fletcher*</b><br/>Vice President (1958)</p>                                | <p>Vice President of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2009 to present); Vice President of Rydex Investments (2009 to present); Vice President of Rydex Specialized Products, LLC (2009 to present); Vice President and Director of Rydex Distributors, Inc. (2009 to present); Vice President of Security Global Investors, LLC (2009 to present)</p>  |
| <p><b>Amy Lee*</b><br/>Vice President and<br/>Assistant Secretary (1960)</p>           | <p>Vice President and Assistant Secretary of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2009 to present); Secretary of Rydex Distributors, Inc. (2008 to present); Chief Compliance Officer of Rydex Distributors, Inc. (2008 to 2009); Vice President, Associate General Counsel and Assistant Secretary of Security Benefit Corp. (2005 to present); Vice President, Associate General Counsel and Assistant Secretary of Security Benefit Life Insurance Co. (2004 to present); Assistant General Counsel of First Security Benefit Life and Annuity Company of New York (2004 to present); Chief Compliance Officer and Secretary of Security Distributors, Inc. (2004 to present); Secretary of Security Global Investors, Inc. (2007 to present)</p> |
| <p><b>Joseph Arruda*</b><br/>Assistant Treasurer (1966)</p>                            | <p>Assistant Treasurer of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2006 to present); Senior Vice President of Rydex Investments (2008 to present); Vice President of Rydex Investments (2004 to 2008); Manager and Chief Financial Officer of Rydex Specialized Products, LLC (2009 to present); Director of Accounting of Rydex Investments (2003 to 2004)</p>  |
| <p><b>Paula Billos*</b><br/>Controller (1974)</p>                                      | <p>Controller of Rydex Series Funds, Rydex Variable Trust, Rydex Dynamic Funds and Rydex ETF Trust (2006 to present); Director of Fund Administration of Rydex Investments (2001 to present)</p>   |

\* Officers of the Funds are deemed to be "interested persons" of the Trust, within the meaning of Section 2(a) (19) of the 1940 Act, inasmuch as this person is affiliated with Rydex Investments.

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