

CURRENCYSHARES BRITISH POUND STERLING TRUST

Form FWP

December 07, 2010

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|

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Making Currency Relevant

I December 2010

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Is Currency a Legitimate Asset Class?

Question is not whether currency is a legitimate asset class but, rather, if it is relevant for most investors?

Up
until
the
launch
of
CurrencyShares
in
2005,
for
most
investors,
currency
wasn't
an option.

Today, through ETFs, all investors have access to the most heavily traded and utilized currencies as well as a number of emerging market currencies.

Investors now have a simple, cost-effective, and efficient means to buy, sell, sell-short and implement option strategies on the world's most heavily traded asset class.

Strategies once limited to institutions can now be employed by everyone.

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Making Currency Relevant

Intraday

Expense

Trading

NAV

Ratio

Options

Symbol

Symbol

(%)

Avail.

Currency ETFs

CurrencyShares

Australian Dollar

FXA

FXANV

0.40

Y

CurrencyShares

British Pound Sterling

FXB

FXBNV

0.40

Y

CurrencyShares

Canadian Dollar

FXC

FXCNV

0.40

Y

CurrencyShares

Euro Trust

FXE

FXENV

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0.40
Y
CurrencyShares
Japanese Yen Trust
FXJ
FXJIV
0.40
Y
CurrencyShares Mexican Peso
FXM
FXMNV
0.40
Y
CurrencyShares Russian Ruble
XRU
XRUIV
0.40
N
CurrencyShares Swedish Krona
FXS
FSXNV
0.40
Y
CurrencyShares Swiss Franc
FXF
FXFNV
0.40
Y
WisdomTree Dreyfus Emerging Currency Fund
CEW
CEWIV
0.55
Y
WisdomTree Dreyfus Brazilian Real Fund
BZF
BZFIV
0.45
Y
WisdomTree Dreyfus China Yuan Fund
CYB
CYBIV
0.45
Y
WisdomTree Dreyfus Euro Fund
EU
EUIV
0.35
Y
WisdomTree Dreyfus Indian Rupee Fund
ICN

ICNIV

0.45

Y

WisdomTree Dreyfus Japanese Yen Fund

JYF

JYFIV

0.35

Y

WisdomTree Dreyfus New Zealand Dollar Fund

BNZ

BNZIV

0.45

Y

WisdomTree Dreyfus South African Rand Fund

SZR

SZRIV

0.45

Y

PowerShares DB G10 Currency Harvest

DBV

FBV

0.81

Y

PowerShares DB US Dollar Index Bearish

UDN

UDNIV

0.80

Y

PowerShares DB US Dollar Index Bullish

UUP

UUPIV

0.80

Y

Leveraged Currency (200% Daily Returns)

ProShares Ultra Yen

YCL

YCLIV

0.95

Y

ProShares Ultra Euro

ULE

ULEIV

0.95

Y

Leveraged Inverse Currency (-200% Daily Returns)

ProShares UltraShort Yen

YCS

YCSIV

0.95

Y

ProShares UltraShort Euro

EUO

EUOIV

0.95

Y

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Currency The Ultimate Asset Class?

Fundamental investment tenants are premised on the practice of creating well-diversified portfolios in order to enhance returns and mitigate volatility.

Significant analysis is performed in order to determine the appropriate weightings within the various classes of equities, fixed income, and alternative assets to achieve a proper level of diversification and appropriate risk/reward parameters.

For most investors, however, very little consideration is given to the cash element of a portfolio.

Since

most

people

only

view

the

cash

component

of

a

portfolio

as

the

ultimate

safe

haven,

the scope of those holdings rarely ventures beyond U.S. dollars

or U.S. dollar

denominated fixed income instruments.

Currency

is

subject

a

number

of

risks

that
could
cause
a
decline
in
the
price
of
a
foreign currency including national debt levels and trade deficits, domestic and foreign
inflation rates, domestic and foreign interest rates, investment
and trading activities of
institutions and global or regional political, economic or financial events and
situations.

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Why We Can't Afford to Ignore Currency

Currency affects every aspect of our lives from the goods and services we purchase to the returns we receive (currency has a significant impact on the returns of both domestic and international companies).

S&P
500
companies
derive
nearly
half
of
their
sales
from
outside
the
U.S.

Currencies impact business in a numerous ways including:

Translation
Exposure

the
conversion
of
foreign-earned
revenues
to
its
home
currency
Transaction
Exposure

Impact

of
currency
on
prices
paid
or
received
for
goods
and
services
Economic
Exposure

the
effects
on
competitive
advantage
from
the
cost
of
goods
sold,
input costs, and balance sheet values

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Global Events Have Major Impact on Currency
CBO: Obamacare Would Cost Over \$2 Trillion
Fed Fires \$600 Billion Stimulus Shot
Dollar Depreciation and the Cost of Living
US Dollar Outlook for 2010 2011: Euro, Yen, Aussie and Loonie Rise To Record
Levels Against Greenback
Dollar to Become World's 'Weakest Currency,' Drop to 75 Yen JPMorgan Says
Euro soars on Ireland bailout plan
Canadian Dollar Reaches Parity Again
The Aussie Dollar Races To Parity

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Currency as an Asset Class

The premise of holding only U.S. Dollars is outdated as more and more goods and services are produced outside the U.S.

The massive volatility in the global currency markets has created periods where investors have lost the safe haven benefit of U.S. Dollars through the erosion of purchasing power.

The volatility has also created a tremendous amount of opportunity from an investment perspective.

In conclusion, further diversification¹

within the cash-component of a well diversified

portfolio is worthy of consideration in order to insulate customers against a loss of purchasing power as well as enable them to benefit from the potential returns available in the currency market.

(1) Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

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Opportunities in Currency G-10 (5 Yr)
Performance displayed represents past performance, which is no guarantee of future results.

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9
Opportunities in Currency G-10 (1 Yr)
Performance displayed represents past performance, which is no guarantee of future results.

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Opportunities in Currency G-10 (6 Months)

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

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Currency Strategies

All investors can now take a page out of the institutional playbook and capitalize on strategies such as:

Interest
Rate
Capture

Consists
of
identifying
currencies
with
higher
yields,
taking
a
long
position in that currency and selling a call against that position in order to hedge the risk.
Momentum
Trade

Identify
underperforming
currencies
via
moving
averages
or
other
measurement and taking long positions.
Mean
Reversion
Trade

Identifying
and
capitalizing
on
historical
imbalances
in
purchasing power parity or some other benchmark.

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Important Disclosure

This information must be accompanied by a current prospectus.
The issuer has filed a registration statement (including a prospectus) with the SEC
for
the
offering
to
which
this
communication
relates.
Before
you
invest,
you
should
read the prospectus in that registration statement and other documents the issuer
has filed with the SEC for more complete information about the issuer and this
offering.

You
may
get
these
documents
for
free
by
visiting
EDGAR
on
the
SEC
web
site at www.sec.gov

or by visiting the Trust's web site at
www.CurrencyShares.com. Alternatively, the issuer, any Authorized Participants
or
any
dealer
participating
in
the
offering
will
arrange
to
send
you
the
prospectus
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free
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Please
read
the
prospectus
carefully before investing.
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Rydex
SGI, is the sponsor of each of the
CurrencyShares
Trusts.
Rydex
Distributors,
LLC,
an
affiliate
of
Rydex
SGI
and
Rydex
Specialized Products LLC, is the distributor of the each of the CurrencyShares
Trusts.
Next
Investments

is
a
leading
developer
of
exchange
traded
funds
and
other
novel
financial instruments. Next Investments is providing product development support and
consulting to Rydex
SGI in connection with the registration of CurrencyShares.