



Advisor Confidence Hits Lowest Point in Index's History

Advisors reach out to clients and "stay the course" with their investment strategies

October 27, 2008...Rockville, MD...In October, advisor confidence in the economy and stock market sank for the second month in a row, according to Rydex Advisor Benchmarking. The Advisor Confidence Index (ACI)—a benchmark that gauges advisor views on the U.S. economy and stock market—was 79.07 in October, down 14% from 92.22 in September.

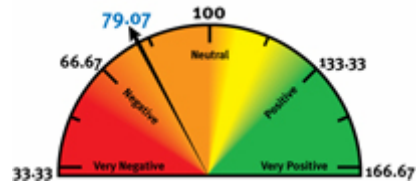
This month, we also surveyed registered investment advisors (RIAs) on their portfolio management and communication with clients in this volatile market. Advisors support many of the government's moves, have stepped up their communication and reassurance efforts, and, for the most part, have stayed the course with their investment strategies, having made pre-emptive moves prior to the major fallout in late September and October. Specific findings include:

- Advisors surveyed said they have discussed the current market drop with their clients and have been proactively calling (83%) and sending emails to their clients (66%). Almost half (44%) of advisors surveyed have been proactively meeting with clients. And almost half of the advisors were also actively reaching out to their clients before the financial crisis.
- Movement within their clients' portfolios has been relatively low, the survey showed. Most advisors said they are maintaining the current allocations of their clients' portfolios. More than half of financial advisors surveyed moved their clients' money to cash prior to the financial crisis and that has helped them weather current market conditions. In the near future, 51% of advisors surveyed are planning to maintain current asset allocations.
- Twelve percent of advisors increased their allocation to alternative investments in the past few weeks and 37% of advisors employed alternative investments prior to the financial crisis in order to help their clients better handle the volatile market. Twenty-two percent of advisors are planning to increase allocations to alternatives in the near future.
- Two out of three financial advisors believe the government's Wall Street rescue plan will work, with 70% of advisors supporting the financial bailout. However, almost half (43%) of advisors surveyed did not support the Security and Exchange Commission's actions regarding short-selling and its overall role in the crisis.

Economic market outlook is the most pessimistic since index inception

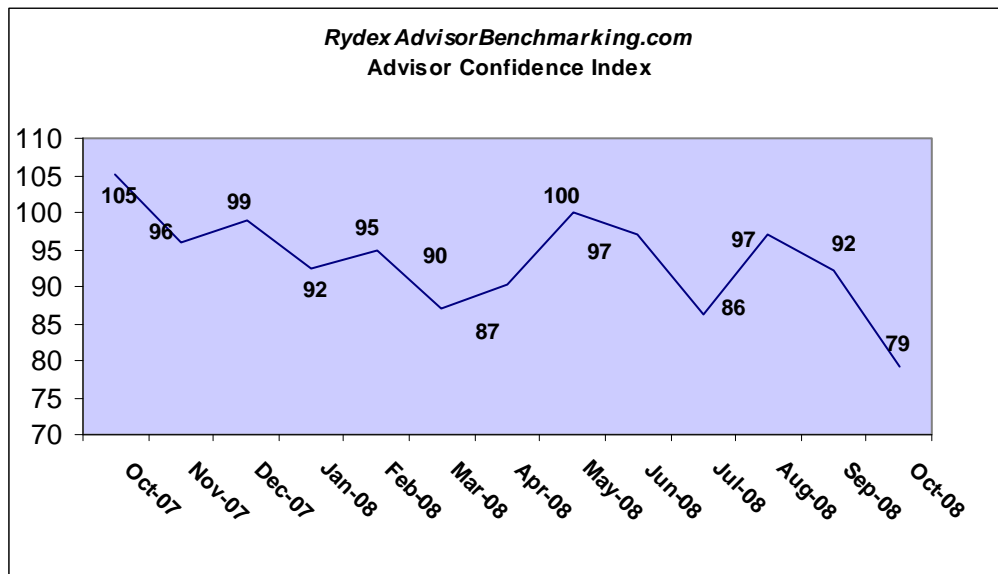
In the face of a challenging economic situation and sharp declines in the equity markets, the ACI fell to its lowest level in October—to 79.07, from 92.22 in September. However,

advisors have a more optimistic outlook on the stock market than on the overall economy. “The economy is likely to remain very poor for an extended period, but market volatility promises to provide significant opportunities for those flexible enough to capitalize” according to James Dailey, Team Financial Management. George Cheatham from American Financial Consultants, Inc., adds “With the sharp declines in the equity markets brought about by the financial crisis and Wall Street, the federal government is having to learn a very valuable lesson about the ramifications of living on credit.”



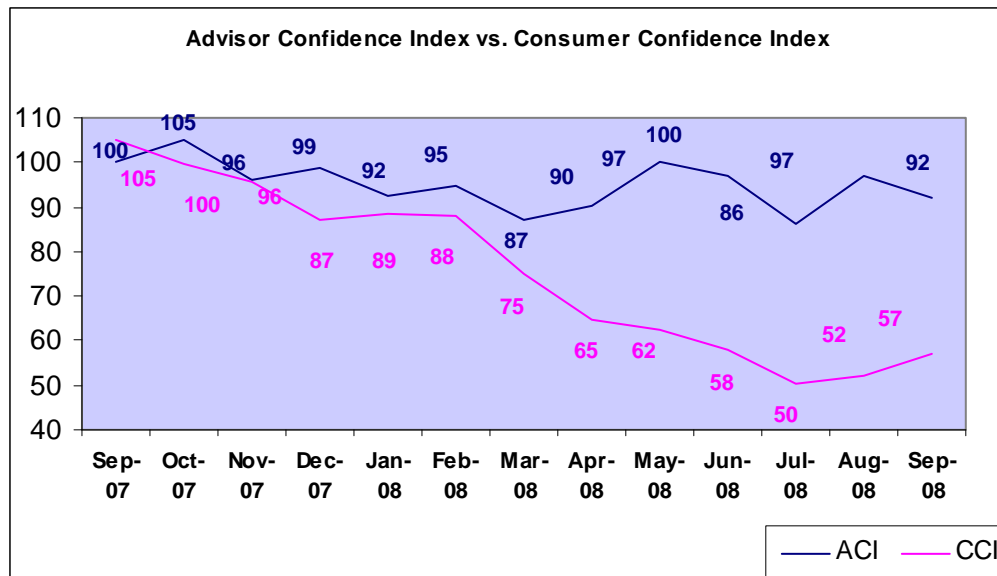
Three of the four economic elements used to calculate the ACI decreased in October. It’s interesting to note that advisors are optimistic about the stock market outlook (+11.29%). A closer look at the components reveals the following:

Current economic outlook	-28.23%
Six-month economic outlook	-22.06%
12-month economic outlook	-18.92%
Stock market outlook	+11.29%



Advisor vs. consumer confidence

The Conference Board Consumer Confidence Index, which had improved moderately in August, posted a slight gain in September. The Consumer Confidence Index was 59.8, up 5%, compared to a 5% decrease for the advisor index since August.



Notable comments from participating advisors

Most of the advisors who participate in the survey elect to have their names made available to reporters who would like to interview them about their economic sentiments. AdvisorBenchmarking can facilitate such interviews for reporters.

“We have now clearly passed any opportunity to contain the crisis to mortgages. The banking system now requires global treasuries to put up actual equity capital. (Treasury Secretary Henry) Paulsen has been big talk, little action—the market either doesn't believe he has a bazooka, or thinks he never actually intended to use it. The headline numbers have been big, but actual use of treasury money has been very tiny. If we quickly recapitalize, we may yet just have a global recession. Stock prices now reflect a global depression, so they look more attractively valued than any time since the 80s.”

-- Bill Ramsay, Financial Symmetry Inc

“The train wreck that we have been experiencing was caused by a combination of government actions and inaction and greed. Greed is nothing new on Wall Street—it was the primary cause of every market crash and major selloff in history. But this time is a little different because the government led the greedy bankers and investment bankers down the path to more greed and rather than discouraging them, they encouraged them to continue their greedy ways. Now we have the beginning of a socialist system that I hope gets cleared out in a short period of time so that we can get the government out of business and business out of the government's pocket.”

-- David Cramer, Cramer Financial Services

“The chickens have come home to roost. With the sharp declines in the equity markets brought about by the financial crisis and Wall Street, the federal government is having to learn a very valuable lesson about the ramifications of living on credit. The problem is that the American public will take longer to learn and correct their over-spending habits. However, the economy is what will suffer due to lower spending by consumers—much like the proverbial drug addict having to quit and go cold turkey. The American consumer does not have the same privilege as the federal government with its ability to

borrow money continuously. Eventually the American consumer runs out of credit and we have come very near that point. Add to this scenario the problems in the financial markets that have spread around the world, and you can look for a severe global recession that will last at least a year and perhaps as long as two years. Look for cash to continue to be king through at least the first quarter of 2009 with opportunities in just a few sectors if you have a minimum of a three-year time horizon. If you do, dollar cost averaging during the next six months may help you sleep at night.”

-- George Cheatham, American Financial Consultants Inc

“The global de-leveraging of the global credit bubble is now in full force. While others are now obsessed with return of capital, we are beginning to get more aggressive and are considering the opportunities being created. The economy is likely to remain very poor for an extended period, but market volatility promises to provide significant opportunities for those flexible enough to capitalize.”

-- James Dailey, TEAM Financial Managers

“The original toxic asset purchase idea was off target. A more fundamental need was more capital, and the plan is now being changed in that direction. A better idea would be for the government to use a matching concept. To the extent eligible financial institutions raise capital, the government would match it dollar for dollar. For 25 years as a Certified Financial Planner professional I have embraced the ‘stocks for the long run, live with the bounces’ approach. Not this time. We started making defensive moves before the bailout bill was signed, and we are close to moving completely out of stocks. Even with staggering stock market declines as of 10/12/08 there is still far too much downside risk. I have never been more concerned about the stock market than over the last few weeks, and we have acted on that concern.”

-- Richard Coe, Coe Financial Services

“Global coordination across central banks and sovereign treasuries is necessary to address a global ‘liquidity lock.’ At the time of this note, the G7 is meeting in Washington. The G7 should also immediately enlist the remainder of the G20 to come on board with similar measures. I am hopeful that they will go the capital infusion route, not the distressed asset purchase route, because so much more impact can be had by shoring up capital.”

-- Keith Newcomb, Full Life Financial LLC

“The Fed has thrown everything at the market in an attempt toward stabilization. History is being written as we speak. Our banking system is being nationalized. Perhaps it’s time for the ‘Plunge Protection Team (PPT)’ to take off their masks. Investor confidence and business confidence has been smashed. We elect a new president to clean up this mess in a few weeks. He has a big mess to clean up.”

-- Kenny Landgraf, Kenjol Capital Management LLC

“Our whole management discipline has been on managing investment risk for many years. We lost only one-third as much as the market in the final year of the past bear market (the inception date of our management discipline was 12/1/2001) and had lost about one-fifth as much as the market through October 10 of this year. By avoiding the major losses, we have substantially outperformed the equity markets over the past seven years.”

-- Lee Anke, Prudent Investors Network Inc.

“The government actions designed to put confidence in the system seem to have an inverse effect. We see volatility as positive in creating opportunities to buy assets on sale as long as you are well diversified and do not need to sell equities to meet expected living expense needs.”

-- Rob Siegmann, Financial Management Group

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