



CLAYMORE ETFS
Access to Innovation

Exchange-Traded Funds: A Low-Cost and Tax-Efficient Investment Solution

HOW MUCH IS YOUR INVESTMENT WORTH AFTER TAXES?

The ultimate return of any investment is not what is earned, but what is kept after expenses and taxes. Taxable capital gains distributions and high expense ratios can erode the gains of even the best investment product. The structure of an exchange-traded fund can help limit expenses and taxable gains. While ETF holdings may change frequently, an ETF typically does not trade shares of its underlying portfolio for cash. Therefore, shareholders generally do not realize capital gains until they sell their ETF shares.

Exchange-traded funds, also known as ETFs, offer a variety of benefits to investors. Their tax-efficient structure and generally low expenses are two of the most prominent benefits.

ETFs are portfolios of securities that trade like individual stocks on major stock exchanges and can be bought or sold throughout the trading day. ETFs are constructed to track the holdings and performance of a defined index of securities, before expenses, and enable investors to purchase a cost-efficient and widely varied portfolio of securities. There are other advantages as well.

This overview is meant to explain how an ETF's structure enables it to generate lower expenses and fewer taxable events. We'll also introduce you to Claymore's family of unique ETFs. You'll find information on these topics:

1. Why ETFs are generally more tax efficient than typical open-end mutual funds
2. The tax benefits of ETFs versus open-end mutual funds
3. Claymore's philosophy of ETF investing and index methodology

Taxes Affect an Investor's Bottom Line

Taxes have a direct impact on an investor's long-term growth of capital and can erode an investment's return if not properly managed. No matter how well your investments perform, the return is only as valuable as the amount kept **after taxes**.

ETFs — Generally More Tax Efficient than Open-End Mutual Funds

ETFs typically produce substantially lower capital gains distributions than open-end mutual funds. There are some mutual funds, however, managed with the goal of achieving tax efficiency and/or low expense ratios.

1. When investors want to liquidate shares in an ETF, they sell them to other investors on a stock exchange, which has no impact on the net asset value ("NAV") of the ETF or its existing shareholders. Trading in ETF shares, however, may be halted on a stock exchange due to market and other conditions. Conversely, redemptions of open-end mutual fund shares are made through the mutual fund itself and may force a sale of portfolio securities to cover the redemption. If gains are realized on the sale, the transaction creates a taxable event for all remaining mutual fund shareholders, generally resulting in capital gains to be distributed at year end. ETFs employ an innovative creation and redemption process, described below, that allows them to avoid realizing capital gains on portfolio securities in most cases.
2. Changes in the holdings of an ETF may be facilitated through the creation and redemption process described below, which is made "in kind" and doesn't trigger a taxable event for the ETF and its ongoing shareholders. From time-to-time (typically at rebalancing) the ETF must sell securities that are no longer represented in the Index for cash and buy other securities which are new to the Index for cash. These sale transactions could give rise to capital gains which might need to be distributed to shareholders.
3. Like stocks, capital gains and taxes on ETFs are generally recognized only upon the sale of the security, and they apply only to the amount of the proceeds above the investor's personal cost basis. The investor's holding period is used to classify the gain as either short or long term.

An ETF's Creation and Redemption Process Helps to Minimize Taxes

The structure of an ETF benefits both small and large investors. Unlike open-end mutual funds, most small investors do not transact directly with ETFs. Investors can buy and sell ETF shares on a stock exchange throughout the day. However, the transactions may result in brokerage costs and other transactional fees. Large investors, referred to as Authorized Participants ("APs") typically buy and sell directly from the ETF.

Unlike a mutual fund transaction, APs do not transact with the ETF completely in cash.

- An AP typically gives the ETF a representative basket of the constituent stocks (a "Creation Unit") in the ETF's benchmark index plus a relatively small cash payment when creating shares. The cash component represents the difference between the NAV of the creation unit and the market value of the deposit securities. There is a fixed transaction fee for each creation unit.
- When redeeming shares, the AP receives a representative basket of the constituent stocks and possibly cash in an amount equal to the difference between the NAV of the shares being redeemed and the value of the ETF securities less the redemption fee and, if applicable, any transfer taxes.

The exchange of stocks versus cash is considered an in-kind transaction and is not generally a taxable event for the ETF and its ongoing shareholders. The comparatively small exchange of cash at redemption is considered a taxable event to the receiving party but does not generally impact the ETF. This in-kind creation and redemption process significantly reduces the number of taxable events incurred by an ETF compared with open-end mutual funds. The table below outlines the treatment of potential taxable events in ETFs and mutual funds.

Tax Efficiency Comparison by Event for ETFs and Open-End Mutual Funds

POTENTIAL TAXABLE EVENT	EXCHANGE-TRADED FUNDS	OPEN-END MUTUAL FUNDS
Shareholder Redemption	No. Redemptions are generally handled in kind for large investors and the lowest cost basis stock is transferred out. In-kind transactions are not generally taxable events for the ETF and its ongoing shareholders.	Yes. If securities are sold at a gain to cover redemptions, the remaining shareholders will receive capital gains distributions at year end which represent a taxable event.
Portfolio Turnover	Not always. Similar to shareholder redemptions, rebalancing is handled in kind to the extent possible and those transactions are not generally a taxable event for the ETF and its ongoing shareholders. In some cases, the ETF must sell securities no longer in the Index for cash and buy other securities which are new to the Index for cash. Any cash transaction represents a taxable event for the ETF.	Yes. Open-end funds generally buy and sell holdings in an effort to generate favorable returns for shareholders. If there are gains realized because of this turnover, shareholders will receive capital gains distributions at year end which represent a taxable event.
Corporate Actions (Acquisitions, stock splits, etc.)	Not always. Similar to shareholder redemptions, the sale of securities due to corporate actions is handled in kind to the extent possible and those transactions are not generally a taxable event for the ETF and its ongoing shareholders. In some cases, the ETF must sell securities for cash and buy other securities for cash. Any cash transaction represents a taxable event for the ETF.	Yes. Open-end fund managers may choose to sell part or all of the stock of a company that has merged or been acquired if the new company no longer fits their investment thesis or represents a combined position that is larger than allowed by the fund's prospectus. If the securities are sold at a gain, shareholders receive capital gains distributions at year end which represent a taxable event.

Claymore ETFs — Access to Innovation

Claymore ETFs are index-strategy-driven investment solutions for advisors and their clients. Claymore has partnered with a diverse group of what we believe to be “best-in-class” investment professionals and index specialists to bring investors some of the most unique ETFs currently available. The index providers that Claymore uses design indices based on sophisticated quantitative models with independent and/or academic research that drive the investment strategies that Claymore’s ETFs track.

Relative to industry benchmarks, our partners’ indices are designed to offer the potential for return by isolating significant factors that have contributed to superior investment performance historically. Claymore’s index partners are specialists in quantitative methods of stock selection, and have designed strategic indices that provide unique baskets of securities for ETFs to track.

Claymore believes that this strategy-driven, quantitative process provides a disciplined investment approach that offers the potential for superior performance over market cycles.

- **Innovative.** Claymore ETFs provide access to innovative indices. Unlike ETFs that track traditional indices representing market participation, the indices that Claymore ETFs track seek to capture the investment potential of unique strategies.
- **Strategy Driven.** Claymore believes that a strategy-driven, quantitative process provides a disciplined investment approach that offers the potential for superior performance over market cycles.
- **Best-in-Class Index Providers.** Claymore ETFs seek to track indices that are designed by what we believe to be best-in-class index providers using defined investment philosophies in the creation of their indices. The index providers have backgrounds in areas including quantitative financial analysis, academic research, investment research and management.

The Claymore Advantage

Claymore Securities, Inc. is a growing presence in the exchange-traded fund market. Claymore entered the market in September 2006 with five innovative, strategy-driven offerings. Since that time, Claymore’s ETF line-up has grown to 34 Funds (as of October 31, 2007) with more planned in the coming months.

Claymore was founded in 2001 with the goal of creating a better financial services firm by providing access to innovative investment solutions for financial advisors and their clients and by focusing on customer service of these solutions from thought to aftermarket. Better, because we provide access to what we believe to be best-in-class index specialists and asset management partners through a wide variety of investment products. Claymore entities have provided supervision, management, servicing or distribution on approximately \$19.3 billion in assets as of October 31, 2007. Claymore currently offers exchange-traded funds, unit investment trusts and closed-end funds.

How To Purchase Claymore ETFs

Claymore ETFs are listed on the AMEX or NYSE Arca, depending on the ETF listing, the same way as shares of a publicly-traded company. Claymore ETFs can be purchased through most brokerage accounts. They can be bought and sold throughout the day on the AMEX or NYSE Arca, depending on the ETF listing, during normal trading hours. The Fund issues and redeems Shares at NAV only in large blocks of varying amounts of Shares (each block of Shares called a “Creation Unit”) or multiples thereof. Only broker-dealers or large institutional investors with creation and redemption agreements and called Authorized Participants (“APs”) can purchase or redeem these Creation Units.

Please see the individual ETF prospectus for more information. Investors buying or selling ETF shares on the secondary market may incur brokerage costs and other transactional fees. Shares of ETFs will fluctuate in price due to daily changes in trading volume. At times, shares may not have a high volume of trading. **Except when aggregated in Creation Units, Shares are not redeemable securities of the Fund.**

Risk Considerations

There can be no assurance that the Funds will achieve their investment objectives. An investment in the various Claymore ETFs is subject to certain risks and other considerations. Below are some general risks and considerations associated with investing in an ETF. Please refer to the individual ETF prospectus for a more detailed discussion of the Fund-specific risks and considerations.

Investment Risk: An investment in the Funds are subject to investment risk, including the possible loss of the entire principal amount that you invest.

Equity Risk: The risk that the value of the securities held by the Funds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Funds invests.

Foreign Investment Risk: The Funds' investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers, including, among others, greater market volatility than U.S. securities and less complete financial information than for U.S. issuers.

Non-Correlation Risk: The Funds' return may not match the return of the index for a number of reasons. For example, the Funds incur a number of operating expenses not applicable to the index, and incur costs in buying and selling securities, especially when rebalancing the Funds' securities holdings to reflect changes in the composition of the index.

Micro-Cap, Small and Medium-Sized Company Risk: Investing in securities of micro-cap, small and medium-sized companies involves greater risk than is customarily associated with investing in more established companies. These companies' stocks may be more volatile and less liquid than those of more established companies.

Emerging Markets Risk: Investing in foreign countries, particularly emerging market countries, entails the risk that news and events unique to a country or region will affect those markets and their issuers. Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets.

Replication Management Risk: Unlike many investment companies, the funds are not "actively" managed. Therefore, it would not necessarily sell a stock because the stock's issuer was in financial trouble unless that stock is removed from the index.

Issuer-Specific Changes: The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers.

Non-Diversified Fund Risk: The Funds are considered non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a diversified fund.

The Funds issue and redeem shares at NAV only in large blocks of varying amounts of shares (each block of shares is called a "Creation Unit"), or multiples thereof. Only broker-dealers or large institutional investors with creation and redemption agreements, called Authorized Participants ("APs"), can purchase or redeem these Creation Units. Creation Unit size varies depending on the ETF. Please see the individual ETF prospectus for more information.

The investors buying or selling ETF shares on the secondary market may incur brokerage costs and other transactional fees. Shares of ETFs may fluctuate in price due to daily changes in trading volume. At times, shares may not have a high volume of trading. **Except when aggregated in Creation Units, Shares are not redeemable securities of the Funds.**

No index provider guarantees the quality, accuracy and/or the completeness of the index or any data included therein. No index provider makes any warranty, express or implied, as to results to be obtained by licensee, owners of the product, or any other person or entity from the use of the index or any data included therein in connection with the rights licensed hereunder or for any other use. No index provider makes any express or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the index or any data included therein. Without limiting any of the foregoing, in no event shall any index provider have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

The individual index providers determine, compose and calculate the index without regard for the respective products. The products are not sponsored, endorsed, sold or promoted by any index provider. The index providers have no obligation or liability regarding the administration, marketing or trading of the products, and make no representation or warranty to the owners of the product, or to any member of the public, regarding investing in securities generally or in the products particularly.

This material should be preceded or accompanied by a prospectus. Investors should consider the investment objectives and policies, risk considerations, charges and ongoing expenses of any Fund carefully before they invest or send money. The prospectus contains this and other information relevant to an investment in the ETFs. Please read the prospectus carefully before you invest. If a prospectus did not accompany this, please contact a securities representative or Claymore Securities, Inc.



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NOT FDIC-INSURED | NOT BANK-GUARANTEED | MAY LOSE VALUE

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12/2007
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