

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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RYDEX DYNAMIC FUNDS

CIK: 1092720 | IRS No.: 821848389 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 485BPOS | Act: 33 | File No.: 333-84797 | Film No.: 05790253

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CIK: 1092720 | IRS No.: 821848389 | State of Incorp.: DE | Fiscal Year End: 1231
Type: 485BPOS | Act: 40 | File No.: 811-09525 | Film No.: 05790254

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FILE NO. 333-84797
FILE NO. 811-09525

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES
ACT OF 1933 (X)

PRE-EFFECTIVE AMENDMENT NO. ____ ()

POST-EFFECTIVE AMENDMENT NO. 10 (X)

and

REGISTRATION STATEMENT UNDER THE INVESTMENT
COMPANY ACT OF 1940 (X)

AMENDMENT NO. 11 (X)

RYDEX DYNAMIC FUNDS
(Exact Name of Registrant as Specified in Charter)
9601 Blackwell Road, Suite 500
Rockville, Maryland 20850
(Address of Principal Executive Offices, Zip Code)

Registrant's Telephone Number, including Area Code (301) 296-5100

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It is proposed that this filing will become effective (check appropriate box):

immediately upon filing pursuant to paragraph (b) of rule 485

on (date) pursuant to paragraph (b) (1) (v) of rule 485

60 days after filing pursuant to paragraph (a) (1) of rule 485

on (date) pursuant to paragraph (a) (1) of rule 485

75 days after filing pursuant to paragraph (a) (2) of rule 485

on (date) pursuant to paragraph (a) (2) of rule 485

RYDEX DYNAMIC FUNDS

PROSPECTUS
A-CLASS SHARES
C-CLASS SHARES
MAY 1, 2005

TITAN 500 FUND
TEMPEST 500 FUND
VELOCITY 100 FUND
VENTURE 100 FUND
LONG DYNAMIC DOW 30 FUND
INVERSE DYNAMIC DOW 30 FUND

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED THE
TRUST'S SHARES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY
REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

RDYNAC-1-0506

[LOGO]RYDEXINVESTMENTS
Essential for modern markets(TM)

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PROSPECTUS 1

RYDEX DYNAMIC FUNDS
A-CLASS SHARES
C-CLASS SHARES

9601 BLACKWELL ROAD, SUITE 500, ROCKVILLE, MARYLAND 20850

800.820.0888 O 301.296.5100 O WWW.RYDEXINVESTMENTS.COM

Rydex Dynamic Funds (the "Trust") is a mutual fund complex offering professionally managed investment portfolios (the "Dynamic Funds" or the "Funds").

A-Class Shares and C-Class Shares of the Funds are sold through broker-dealers and other financial institutions ("financial intermediaries") whose clients take part in certain strategic and tactical asset allocation investment programs. Investors may exchange shares of the Funds through the Rydex web site - www.rydexinvestments.com - and over the phone.

RISKS OF INVESTING IN THE FUNDS

The value of the Funds may fluctuate. In addition, Fund shares:

- o MAY DECLINE IN VALUE, AND YOU MAY LOSE MONEY
- o ARE NOT FEDERALLY INSURED
- o ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY
- o ARE NOT BANK DEPOSITS
- o ARE NOT GUARANTEED TO ACHIEVE THEIR OBJECTIVES

FUND OBJECTIVE

The Titan 500 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Titan 500 Master Fund, a separate series of the Trust with an identical investment objective.

The Titan 500 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Titan 500 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Titan 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Titan 500 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Titan 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 3

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty

defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes down.

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PERFORMANCE

The bar chart and table below show the performance of the Titan 500 Fund C-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TITAN 500 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-34.60	-47.09	52.07	16.72

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 31.09% (QUARTER ENDED JUNE 30, 2003) AND THE LOWEST RETURN FOR A QUARTER WAS -35.18% (QUARTER ENDED SEPTEMBER 30, 2002).

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	S&P 500 INDEX (3)
C-CLASS SHARES				
PAST ONE YEAR	16.72%	16.72%	10.87%	10.89%
SINCE INCEPTION (11/27/00)	-12.62%	-12.62%	-10.36%	-1.00%
A-CLASS SHARES				
SINCE INCEPTION (09/1/04) (4)	13.82%	13.82%	8.98%	10.20%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON

DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.

- (3) THE S&P 500(R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.
- (4) INCEPTION DATE REFLECTS COMMENCEMENT OF FUND OPERATIONS. A-CLASS SHARES WERE OFFERED BEGINNING 9/1/2004.

PROSPECTUS 5

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Titan 500 Fund.

	C-CLASS	A-CLASS
SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (as a percentage of initial purchase price)	None	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD)(3) (as a percentage of initial purchase price)	1.00%	None
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.55%	0.46%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.45%	1.61%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."
- (3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.
- (4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE TITAN 500 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares and A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

TITAN 500 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$357	\$791	\$1350	\$2873
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$257	\$791	\$1350	\$2873

TEMPEST 500 FUND (RYCBX)

FUND OBJECTIVE

The Tempest 500 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Tempest 500 Master Fund, a separate series of the Trust with an identical investment objective.

The Tempest 500 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Tempest 500 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Tempest 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Tempest 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 7

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

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INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes up.

PERFORMANCE

The bar chart and table below show the performance of the Tempest 500 Fund C-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TEMPEST 500 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2002	2003	2004
-----	-----	-----
36.54	-43.98	-20.67

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 32.79% (QUARTER ENDED SEPTEMBER 30, 2002) AND THE LOWEST RETURN FOR A QUARTER WAS -26.44% (QUARTER ENDED JUNE 30, 2003).

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	S&P 500 INDEX (3)
C-CLASS SHARES				
PAST ONE YEAR	-20.67%	-20.67%	-13.43%	10.89%
SINCE INCEPTION (03/7/01)	-9.74%	-9.82%	-8.11%	0.58%

A-CLASS SHARES
SINCE INCEPTION
(09/1/04) (4)

-21.33% -21.33% -13.87% 10.20%

- (1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.
- (2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.
- (3) THE S&P 500(R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.
- (4) INCEPTION DATE REFLECTS COMMENCEMENT OF FUND OPERATIONS. A-CLASS SHARES WERE OFFERED BEGINNING 9/1/2004.

PROSPECTUS 9

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Tempest 500 Fund.

	C-CLASS	A-CLASS
SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (as a percentage of initial purchase price)	None	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD)(3) (as a percentage of initial purchase price)	1.00%	None
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.55%	0.50%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.45%	1.65%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."
- (3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.
- (4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE TEMPEST 500 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares or A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be

higher or lower, based on these assumptions your cost would be:

TEMPEST 500 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS

C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$357	\$791	\$1350	\$2873
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$257	\$791	\$1350	\$2873
A-CLASS	\$640	\$986	N/A	N/A

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VELOCITY 100 FUND (RYCCX)

FUND OBJECTIVE

The Velocity 100 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Nasdaq 100 Index(R) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Velocity 100 Master Fund, a separate series of the Trust with an identical investment objective.

The Velocity 100 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Velocity 100 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Velocity 100 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Velocity 100 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Velocity 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes down.

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PERFORMANCE

The bar chart and table below show the performance of the Velocity 100 Fund C-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VELOCITY 100 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-69.90	-69.19	98.54	13.76

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 73.85% (QUARTER ENDED DECEMBER 31, 2004) AND THE LOWEST RETURN FOR A QUARTER WAS -62.97% (QUARTER ENDED SEPTEMBER 30, 2001).

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	NASDAQ 100 INDEX (3)
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C-CLASS SHARES

PAST ONE YEAR	13.76%	13.76%	8.95%	10.43%
SINCE INCEPTION (11/20/00)	-38.35%	-38.47%	-27.56%	-12.39%
A-CLASS SHARES SINCE INCEPTION (09/1/04) (4)	29.38%	29.39%	19.10%	17.64%

- (1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.
- (2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.
- (3) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.
- (4) INCEPTION DATE REFLECTS COMMENCEMENT OF FUND OPERATIONS. A-CLASS SHARES WERE OFFERED BEGINNING 9/1/2004.

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FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Velocity 100 Fund.

	C-CLASS	A-CLASS
SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (as a percentage of initial purchase price)	None	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD) (3) (as a percentage of initial purchase price)	1.00%	None
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.54%	0.43%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.44%	1.58%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."
- (3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.
- (4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE VELOCITY 100 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares or A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the

Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

VELOCITY 100 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS

C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$356	\$787	\$1345	\$2862
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$256	\$787	\$1345	\$2862
A-CLASS	\$633	\$965	N/A	N/A

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VENTURE 100 FUND (RYCDX)

FUND OBJECTIVE

The Venture 100 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Nasdaq 100 Index(R) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Venture 100 Master Fund, a separate series of the Trust with an identical investment objective.

The Venture 100 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Venture 100 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Venture 100 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Venture 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes up.

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PERFORMANCE

The bar chart and table below show the performance of the Venture 100 Fund C-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VENTURE 100 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2002	2003	2004
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50.09	-63.21	-25.20

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 66.50% (QUARTER ENDED JUNE 30, 2002) AND THE LOWEST RETURN FOR A QUARTER WAS -37.17% (QUARTER ENDED DECEMBER 31, 2002).

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	NASDAQ 100 INDEX (3)

C-CLASS SHARES				
PAST ONE YEAR	-25.20%	-25.20%	-16.38%	10.43%
SINCE INCEPTION (03/8/01)	-24.11%	-24.33%	-19.04%	-4.57%
A-CLASS SHARES				
SINCE INCEPTION (09/1/04) (4)	-32.25%	-32.25%	-20.96%	17.64%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.

(3) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

(4) INCEPTION DATE REFLECTS COMMENCEMENT OF FUND OPERATIONS. A-CLASS SHARES WERE OFFERED BEGINNING 9/1/2004.

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FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Venture 100 Fund.

	C-CLASS	A-CLASS

SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (as a percentage of initial purchase price)	None	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD) (3) (as a percentage of initial purchase price)	1.00%	None
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.55%	0.39%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.45%	1.54%

(1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.

(2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."

(3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.

(4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares or A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

VENTURE 100 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS

C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$357	\$791	\$1350	\$2873
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$257	\$791	\$1350	\$2873
A-CLASS	\$629	\$953	N/A	N/A

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LONG DYNAMIC DOW 30 FUND

FUND OBJECTIVE

The Long Dynamic Dow 30 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objectives, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the value of the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Long Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Long Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Long Dynamic Dow 30 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Long Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Long Dynamic Dow 30 Master Fund also may purchase equity securities.

Under normal circumstances, the Long Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform similarly to those of the underlying index. This is a non-fundamental policy that can be changed by the Long Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Long Dynamic Dow 30 Master Fund is subject to a number of risks that may

affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation

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programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average (SM) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average (SM) goes down.

PERFORMANCE

The Long Dynamic Dow 30 Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Long Dynamic Dow 30 Fund.

	C-CLASS	A-CLASS
SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (AS A PERCENTAGE OF INITIAL PURCHASE PRICE)	None	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD) (3) (as a percentage of initial purchase price)	1.00%	None
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.51%	0.41%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.41%	1.56%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST.. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."
- (3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.
- (4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE LONG DYNAMIC DOW 30 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares or A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

LONG DYNAMIC DOW 30 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$353	\$778	\$1329	\$2831
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$253	\$778	\$1329	\$2831
A-CLASS	\$631	\$959	N/A	N/A

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INVERSE DYNAMIC DOW 30 FUND

FUND OBJECTIVE

The Inverse Dynamic Dow 30 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the

underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Inverse Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Inverse Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Inverse Dynamic Dow 30 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Inverse Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

Under normal circumstances, the Inverse Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform opposite to those of the underlying index. This is a non-fundamental policy that can be changed by the Inverse Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Inverse Dynamic Dow 30 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these

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programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's

performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average (SM) to go down and want highly accelerated investment gains when that index does so. These

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investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average (SM) goes up.

PERFORMANCE

The Inverse Dynamic Dow 30 Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold C-Class Shares or A-Class Shares of the Inverse Dynamic Dow 30 Fund.

	C-CLASS	A-CLASS
SHAREHOLDER FEES(1)	NONE	NONE
MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES(2) (as a percentage of initial purchase price)	1.00%	4.75%
MAXIMUM DEFERRED SALES CHARGE (LOAD)(3) (as a percentage of initial purchase price)	1.00%	1.00%
ANNUAL FUND OPERATING EXPENSES(4) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)		
MANAGEMENT FEES	0.90%	0.90%
DISTRIBUTION (12b-1) AND SHAREHOLDER SERVICE FEES	1.00%	0.25%
OTHER EXPENSES	0.53%	0.47%
TOTAL ANNUAL FUND OPERATING EXPENSES	2.43%	1.62%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) REPRESENTS THE MAXIMUM SALES CHARGE (LOAD) IMPOSED ON PURCHASES. THIS SALES CHARGE VARIES DEPENDING ON HOW MUCH YOU INVEST. YOU MAY PAY LESS THAN THE MAXIMUM SALES CHARGE BECAUSE OF WAIVERS AND REDUCED SALES CHARGES THAT MAY BE AVAILABLE. SEE "SALES CHARGES."
- (3) THE DEFERRED SALES CHARGE APPLIES FOR THE FIRST YEAR FOLLOWING PURCHASE AND WILL BE WAIVED FOR CUSTOMERS OF FINANCIAL INTERMEDIARIES THAT HAVE ENTERED INTO AN ARRANGEMENT WITH THE DISTRIBUTOR TO FOREGO TRANSACTION-BASED COMPENSATION IN CONNECTION WITH THE INITIAL PURCHASE.
- (4) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE INVERSE DYNAMIC DOW 30 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in C-Class Shares or A-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

INVERSE DYNAMIC DOW 30 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS

C-CLASS				
IF YOU SELL YOUR SHARES AT THE END OF THE PERIOD:	\$355	\$784	\$1340	\$2852
IF YOU DO NOT SELL YOUR SHARES AT THE END OF THE PERIOD:	\$255	\$784	\$1340	\$2852
A-CLASS	\$637	\$977	N/A	N/A

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MORE INFORMATION ABOUT FUND

INVESTMENTS AND RISK

Each Dynamic Fund's objective is to provide investment results that match the performance measured on a daily basis of a specific benchmark. The investment objective of each Dynamic Fund is non-fundamental and may be changed without shareholder approval. The current benchmark used by each Dynamic Fund is set forth below:

FUND NAME	BENCHMARK
TITAN 500 FUND	200% OF THE PERFORMANCE OF THE S&P 500(R) INDEX
TEMPEST 500 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE S&P 500(R) INDEX
VELOCITY 100 FUND	200% OF THE PERFORMANCE OF THE NASDAQ 100 INDEX(R)
VENTURE 100 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE NASDAQ 100 INDEX(R)
LONG DYNAMIC DOW 30 FUND	200% OF THE PERFORMANCE OF THE DOW JONES INDUSTRIAL AVERAGE(SM)
INVERSE DYNAMIC DOW 30 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE DOW JONES INDUSTRIAL AVERAGE(SM)

A BRIEF GUIDE TO THE BENCHMARKS

THE S&P 500(R) INDEX. The S&P 500(R) Index is a capitalization-weighted index composed of 500 common stocks, which are chosen by the Standard & Poor's Corporation ("S&P") on a statistical basis.

THE NASDAQ 100 INDEX(R). The Nasdaq 100 Index(R) is a modified capitalization weighted index composed of 100 of the largest non-financial companies listed on The Nasdaq Stock Market, Inc. ("Nasdaq").

THE DOW JONES INDUSTRIAL AVERAGE INDEX(SM). The Dow Jones Industrial Average Index(SM) is a price-weighted index of 30 "blue-chip" U.S. stocks. The index is published by Dow Jones & Company, Inc. and the component stocks are selected by editors of the Wall Street Journal. The components tend to be market leaders in their respective industries and their stocks are typically widely held by individuals and institutional investors.

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UNDERSTANDING COMPOUNDING & THE EFFECT OF LEVERAGE

It is important to understand the effects of compounding when investing in any mutual fund, especially funds which use leverage as part of their investment strategy. The following simple examples provide an illustration:

EXAMPLE A: Assume you invest \$100 in Fund A, a typical index fund that seeks to

match the performance of its underlying index. If the index increases 10% on day one, the value of your shares in Fund A would be expected to increase \$10 (10% of \$100) to \$110. The next day, if the index decreases 10%, the value of your shares in Fund A would be expected to decrease \$11 (10% of \$110) to \$99.

EXAMPLE B: Assume you invested \$100 in Fund B, a fund that seeks to return 200% of the performance of the same index. On day one, the value of your shares in Fund B would be expected to increase \$20 (20% of \$100) to \$120. On day two, however, the value of your shares in the leveraged fund would be expected to decrease \$24 (20% of \$120) to \$96.

Because of the effect of compounding, in each case the value of your investment declined even though the index went up 10% on day one and down 10% on day two. However, the effect of compounding was more pronounced when combined with leverage (Example B). In addition, because of the effect of compounding, the performance of a leveraged fund is more likely to match the performance of its underlying index on a daily basis than over an extended period of time.

MASTER-FEEDER INVESTMENT STRUCTURE

As discussed in their respective Fund Overviews, the Funds pursue their respective investment objectives indirectly by investing through what is referred to as a "master-feeder arrangement." Under the master-feeder arrangement, a Fund's investment portfolio is comprised solely of shares of a "master fund," which is a separate mutual fund that has an identical investment objective, e.g., the Titan 500 Fund acts as a "feeder fund," holding shares of its master fund as its only investment. As a result, the Fund has an indirect interest in all of the securities owned by the master fund. Because of this indirect interest, the Fund's investment returns should be the same as those of the master fund, adjusted for Fund expenses.

Rydex Investments (the "Advisor") manages the investment portfolios of each Fund and its corresponding master fund. Under the master-feeder arrangement, investment advisory fees and custody fees are charged at the master-fund level, and other administrative costs are charged at the feeder fund level. This arrangement avoids a "layering" of fees, e.g., each Fund's Total Annual Operating Expenses have not increased as a result of investing through a master-feeder arrangement. In addition, the Advisor may discontinue investing through the master-feeder arrangement and manage the Funds directly if the Trust's Board of Trustees determines that doing so is in the best interests of shareholders.

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ADVISOR'S PORTFOLIO INVESTMENT STRATEGY IN MANAGING THE DYNAMIC MASTER FUNDS

In managing the Dynamic Master Funds, the Advisor uses a "passive" investment strategy to manage each Fund's portfolio, meaning that the Advisor does not attempt to select securities based on their individual potential to perform better than the market. The Advisor's primary objective is to match the performance of each Fund's benchmark as closely as possible on a daily basis. The Advisor uses quantitative analysis techniques to structure each Fund to obtain the highest correlation to its particular benchmark. The Advisor does not engage in temporary defensive investing, keeping each Fund's assets fully invested in all market environments. The Advisor monitors each Fund on an ongoing basis, and makes adjustments to its portfolio, as necessary, to minimize tracking error and to maximize liquidity.

The Advisor pursues the Dynamic Funds' investment objectives by regularly utilizing leveraged instruments, such as futures contracts and options on securities, futures contracts, and stock indices. In addition, the Advisor will regularly utilize short selling techniques designed to help the performance to inversely correlate to 200% of the performance of the relevant benchmark.

OTHER INVESTMENT PRACTICES AND STRATEGIES

Please see the statement of additional information (the "SAI") for a more complete list of portfolio investment strategies, permitted investments and related risks.

WHO MAY WANT TO INVEST IN THE RYDEX DYNAMIC FUNDS

The Dynamic Funds may be appropriate for investors who believe that over the long term, the value of a particular index will increase or decrease, and that by investing with the objective of doubling the index's daily return they will achieve superior results over time. Investors should understand that since each Fund seeks to double the daily performance of the index underlying its benchmark, it should have twice the daily volatility of a conventional index fund. This increases the potential risk of loss.

The Dynamic Funds may be appropriate for investors who use a portfolio

investment strategy that relies on frequent buying, selling, or exchanging among stock mutual funds, since the Funds do not limit how often an investor may exchange among Funds. In addition, the Funds do not impose any transaction fees when investors exchange shares. The Funds provide multiple opportunities for investors to capitalize on market trends and to capture market momentum with intra-day Fund share pricing and trading. Dynamic asset allocators may also utilize intra-day trading as a defensive strategy to react to market movements before investments are adversely affected.

The Dynamic Funds may also be appropriate for investors who use an investment strategy that involves the strategic allocation of investments among different asset classes. By utilizing consistently applied leverage, the Funds' portfolio investment strategy can create alternative investment opportunities for strategic asset allocators who seek to match the S&P 500's, Nasdaq 100's

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or Dow Jones's daily return because less capital is needed to achieve a desired exposure. For example, an investor might invest \$50,000 in a conventional S&P 500(R) Index fund. Alternatively, that same investor could invest half that amount - \$25,000 - in the Titan 500 Fund and target the same daily return. This increased cash position could then be used for a tactical overlay, such as the introduction of an additional asset class or an undervalued market sector.

PRINCIPAL RISKS OF INVESTING IN THE FUNDS

As indicated below, the Funds (which includes their respective "master fund") are subject to a number of risks that may affect the value of the Funds' shares.

EQUITY RISK (ALL FUNDS) - The Funds invest primarily in instruments that attempt to track the price movement of equity indices as well as equity securities, including common stocks. Investments in equity securities and equity derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which the Funds invest will cause the net asset value of the Funds to fluctuate. Historically, the equity markets have moved in cycles, and the value of each of the Fund's equity securities and equity derivatives may fluctuate drastically from day to day. This price volatility is the principal risk of investing in equity securities. Because of their link to the equity markets and use of leverage, an investment in the Funds may be more suitable for investors who can bear the risk of short-term principal fluctuations, which at times may be significant.

NON-DIVERSIFICATION RISK (ALL FUNDS) - Since each Fund is non-diversified, each Fund may invest in the securities of a limited number of issuers. To the extent that a Fund invests a significant percentage of its assets in a limited number of issuers, the Fund is subject to the risks of investing in those few issuers, and may be more susceptible to a single adverse economic or regulatory occurrence.

INDUSTRY CONCENTRATION RISK (ALL FUNDS) - None of the Funds will invest 25% or more of the value of the Fund's total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries; except that, to the extent the index underlying a Fund's benchmark is concentrated in a particular industry, a Fund will necessarily be concentrated in that industry. Currently, the index underlying the Velocity 100 Fund's and the Venture 100 Fund's benchmark - the Nasdaq 100 Index(R) - is concentrated in technology companies. The risk of concentrating Fund investments in a limited number of issuers conducting business in the same industry or group of industries is that a Fund will be more susceptible to the risks associated with that industry or group of industries than a fund that does not concentrate its investments.

TRACKING ERROR RISK (ALL FUNDS) - While the Funds do not expect returns to deviate significantly from their respective benchmarks on a daily basis, certain factors may affect their ability to achieve close correlation. These factors may

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include Fund expenses, imperfect correlation between the Funds' investments and those of their benchmarks, rounding of share prices, changes to the benchmark, regulatory policies, and leverage. The cumulative effect of these factors may over time cause the Funds' returns to deviate from their respective benchmarks on an aggregate basis. The magnitude of any tracking error may be affected by a higher portfolio turnover rate.

TRADING HALT RISK (ALL FUNDS) - The Funds typically will hold short-term options and futures contracts. The major exchanges on which these contracts are traded,

such as the Chicago Mercantile Exchange ("CME"), have established limits on how much an option or futures contract may decline over various time periods within a day. If an option or futures contract's price declines more than the established limits, trading on the exchange is halted on that instrument. If a trading halt occurs, the Funds may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Funds price their shares may limit the Funds' ability to use leverage and may prevent the Funds from achieving their investment objectives. In such an event, the Funds also may be required to use a "fair-value" method to price their outstanding contracts.

FUTURES AND OPTIONS RISK (ALL FUNDS) - The Funds may invest a percentage of their assets in futures and options contracts. The Funds may use futures contracts and related options for bona fide hedging purposes to offset changes in the value of securities held or expected to be acquired. They may also be used to gain exposure to a particular market or instrument, to create a synthetic money market position, and for certain other tax-related purposes. The Funds will only enter into futures contracts traded on a national futures exchange or board of trade. Futures and options contracts are described in more detail below:

FUTURES CONTRACTS - Futures contracts and options on futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. An option on a futures contract gives the purchaser the right, in exchange for a premium, to assume a position in a futures contract at a specified exercise price during the term of the option. Index futures are futures contracts for various indices that are traded on registered securities exchanges.

OPTIONS - The buyer of an option acquires the right to buy (a call option) or sell (a put option) a certain quantity of a security (the underlying security) or instrument at a certain price up to a specified point in time. The seller or writer of an option is obligated to sell (a call option) or buy (a put option) the underlying security. When writing (selling) call options on securities, the Funds may cover their positions by owning the underlying security on which the option is written or by owning a call option on the underlying security. Alternatively, the Funds may cover their position by maintaining in a segregated account cash or liquid securities equal in value to the exercise price of the call option written by the Funds.

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The risks associated with the Funds' use of futures and options contracts include:

- o The Funds experiencing losses over certain ranges in the market that exceed losses experienced by the funds that do not use futures contracts and options.
- o There may be an imperfect correlation between the changes in market value of the securities held by Funds and the prices of futures and options on futures.
- o Although the Funds will only purchase exchange-traded futures, due to market conditions there may not always be a liquid secondary market for a futures contract. As a result, the Funds may be unable to close out their futures contracts at a time which is advantageous.
- o Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts and options.
- o Because option premiums paid or received by the Funds are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in securities.

EARLY CLOSING RISK (ALL FUNDS) - The normal close of trading of securities listed on Nasdaq and the New York Stock Exchange ("NYSE") is 4:00 p.m., Eastern Time. Unanticipated early closings may result in a Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when one or more of the Funds needs to execute a high volume of securities trades late in a trading day, a Fund might incur substantial trading losses.

SHORT SALES RISK (TEMPEST 500, VENTURE 100 AND INVERSE DYNAMIC DOW 30 FUNDS) - Short sales are transactions in which a Fund sells a security it does not own. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The

price at such time may be higher or lower than the price at which the security was sold by the Fund. If the underlying security goes down in price between the time the Fund sells the security and buys it back, the Fund will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the Fund will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Fund must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Fund must pay to the lender of the security. The Fund is also required to segregate other assets on its books to cover its obligation to return the security to the lender which means that those other assets may not be available to meet the Fund's needs for immediate cash or other liquidity. The Fund's investment performance may also suffer if the Fund is required to close out a short position earlier than it had intended. This would occur if the securities lender required the Fund to deliver the securities the Fund borrowed at the

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commencement of the short sale and the Fund was unable to borrow the securities from another securities lender or otherwise obtain the security by other means. In addition, the Fund may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the Fund's open short positions. These expenses negatively impact the performance of the Fund. For example, when a Fund short sells an interest-bearing security, such as a bond, it is obligated to pay the interest on the security it has sold. This cost is partially offset by the interest earned by the Fund on the cash generated by the short sale. To the extent that the interest rate that the Fund is obligated to pay is greater than the interest earned by the Fund on investments, the performance of the Fund will be negatively impacted. This type of short sales expense is sometimes referred to as the "negative cost of carry," and will tend to cause a Fund to lose money on a short sale even in instances where the price of the underlying security sold short does not change over the duration of the short sale.

SWAP COUNTERPARTY CREDIT RISK (ALL FUNDS) - The Funds may enter into equity index or interest rate swap agreements for purposes of attempting to gain exposure to a particular group of stocks or to an index of stocks without actually purchasing those stocks, or to hedge a position. The Funds will use short-term swap agreements to exchange the returns (or differentials in rates of return) earned or realized in particular predetermined investments or instruments. A Fund will not enter into any swap agreement unless the Advisor believes that the other party to the transaction is creditworthy. The use of equity swaps involves risks that are different from those associated with ordinary portfolio securities transactions. Swap agreements may be considered to be illiquid. A Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

PORTFOLIO HOLDINGS

A description of the Funds' policies and procedures with respect to the disclosure of Fund portfolio securities is available in the SAI.

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INVESTING WITH RYDEX:

----- SHAREHOLDER INFORMATION

C-Class Shares and A-Class Shares are offered exclusively through authorized securities brokers and other financial intermediaries.

OPENING YOUR ACCOUNT

You will need to open a Rydex shareholder account to make share transactions - buy, sell or exchange shares of the Funds. You can request an account application by calling Rydex shareholder services at 800.820.0888 or 301.296.5406 or simply download an application from the Rydex web site - www.rydexinvestments.com. For more information on opening an account, call Rydex shareholder services at 800.820.0888 or 301.296.5406 or visit www.rydexinvestments.com.

The type of application you will need depends on the type of account you want to

open. For example, if you are opening a retirement account, such as an IRA, you will need to fill out a different application than you would if you were opening a regular account. When you call Rydex to request an account application, be sure to let the shareholder services representative know what type of account you want to open to ensure that you receive the correct application.

If you open your account through a broker or other financial intermediary, your financial intermediary will ordinarily assist you in completing the necessary application to open your account with Rydex.

MINIMUM AMOUNTS

The minimum initial investment amount and minimum account balance for C-Class Shares or A-Class Shares are:

- o \$1,000 for retirement accounts
- o \$2,500 for all other accounts

There are no minimum amounts for subsequent investments in the Funds. Rydex reserves the right to modify its minimum account requirements at any time, with or without prior notice to you.

TIPS TO SUCCESSFULLY COMPLETE YOUR ACCOUNT APPLICATION

- o You must provide each account holder's social security number or tax ID number and date of birth on the application to avoid a delay in processing.
- o Attach the title page and signature page of trust documents when establishing a trust account.
- o When establishing an account for your corporation, partnership or self directed retirement plan, please indicate the correct account type to ensure proper tax reporting, and provide a copy of one of the following documents: registered articles of corporation, government-issued business license, partnership papers, plan documents or other official documentation that verifies the entity and lists the authorized individuals. Failure to provide this documentation may result in a delay in processing your application.
- o You must provide a street address (Rydex does not accept P.O. Box only addresses). If any joint owner has a different address than the account registration, please indicate what it is on the application.
- o BE SURE TO SIGN THE APPLICATION.

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TRANSACTION INFORMATION

This section provides important information about the procedures that you must follow when you buy, sell or exchange shares of the Funds. You may submit transaction orders to buy, sell or exchange Fund shares on any day that the NYSE is open for business (a "Business Day").

CALCULATING NAV

The price at which you buy, sell and exchange shares is the net asset value per share, which is also known as NAV.

Each Fund calculates its NAV by:

- o Taking the current market value of its total assets
- o Subtracting any liabilities
- o Dividing that amount by the total number of shares owned by shareholders

The Dynamic Funds calculate NAV twice each Business Day, first in the morning and again in the afternoon. The morning NAV is calculated as of 10:45 a.m., Eastern Time and the afternoon NAV is calculated as of the regularly scheduled close of normal trading on the NYSE (normally 4:00 p.m., Eastern Time).

If the primary exchange or market where a Fund's securities or other investments trade closes early - such as on days in advance of holidays generally observed by participants in these markets - the Funds may calculate NAV as of the earlier closing time. On days when the exchange or market is scheduled to close early,

such as the day before a holiday, the Dynamic Funds will only calculate NAV once at the close of the exchange or market. For more information on these early closings, please call 800.820.0888 or visit the Rydex web site - www.rydexinvestments.com.

In calculating NAV, each Fund generally values its investment portfolio based on the market price of the securities as of the time the Fund determines NAV. If market prices are unavailable or the Funds think that they are unreliable, such as instances where the value of a security has been materially affected by events occurring after the market closes, the Funds price those securities at fair value as determined in good faith using methods approved by the Board of Trustees.

The use of fair valuation in pricing a security involves the consideration of a number of subjective factors and therefore, is susceptible to the unavoidable risk that the valuation may be higher or lower than the price at which the security might actually trade if a reliable market price were readily available.

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TRANSACTION CUT-OFF TIMES

All shareholder transaction orders are processed at the NAV next determined after your transaction order is received in good form by the Funds' transfer agent, distributor, or authorized dealer subject to any applicable front-end sales charge. The following transaction cut-off times have been established in order to allow the transfer agent appropriate time to report the current day's trading activity to the Funds' Advisor.

METHOD	FUND	MORNING CUT-OFF	AFTERNOON CUT-OFF
By Mail	All Funds	Not Available	Market Close
By Phone	All Funds	10:30 AM Eastern Time	3:45 PM Eastern Time
By Internet	All Funds	10:30 AM Eastern Time	3:55 PM Eastern Time
By Financial Intermediary*	All Funds	10:30 AM Eastern Time	Market Close

* EACH INTERMEDIARY MAY HAVE ITS OWN RULES ABOUT SHARE TRANSACTIONS, AND MAY HAVE DIFFERENT CUT-OFF TIMES FOR PROCESSING YOUR TRANSACTION ORDER.

EARLY TRANSACTION CUT-OFF TIMES

On any day that a Fund calculates NAV earlier than normal, as described above, Rydex reserves the right to advance the time on that day by which shareholder transaction orders must be received by the transfer agent.

TRANSACTIONS THROUGH YOUR FINANCIAL INTERMEDIARY

You will ordinarily submit your transaction orders through your financial intermediary or other securities dealer through which you opened your shareholder account. Your intermediary is responsible for ensuring that your transaction order contains all of the necessary information and promptly transmitting your order to the Funds. Upon acceptance by your intermediary or securities dealer, your order will be processed at the Fund's next determined NAV. Intermediaries may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each intermediary also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have different cut-off times for processing your transaction order. For more information about your financial intermediary's rules and procedures, you should contact your intermediary directly.

SALES CHARGES

C-CLASS SHARES

You can buy C-Class Shares at the offering price, which is the net asset value per share, without any up-front sales charge so that the full amount of your purchase is invested in the Funds. If you sell your shares within 12 months of purchase, you will normally have to pay a 1% CDSC based on your initial purchase price or current market value, whichever is lower. The CDSC is used to reimburse the Distributor for paying your financial intermediary a sales commission equal

to 1.00% of the purchase price of your investment in

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connection with your initial purchase. If your intermediary has entered into arrangements with the Distributor to forego receipt of that initial 1.00% sales commission, the Fund will waive any otherwise applicable CDSC when you redeem your C-Class Shares. For more information about whether your broker-dealer has entered into such an arrangement, contact your intermediary directly.

WAIVER OF CDSC

The CDSC will be waived for the redemption of C-Class Shares:

- o purchased through a financial intermediary that has entered into arrangements with the Distributor to forego transaction-based compensation in connection with the initial purchase;

- o purchased by reinvesting dividends;

- o following the death or disability of a shareholder;

- o that, in the aggregate, do not exceed 10% of the current market value of the Shares; and

- o resulting from the Funds' right to redeem accounts that maintain a balance below the current applicable minimum investment.

The policy of waiving the CDSC for certain redemptions may be modified or discontinued, with respect to new shareholders, at any time.

A-CLASS SHARES

A-Class Shares are sold at NAV, plus the applicable front-end sales charge. The sales charge is used to pay your financial intermediary a sales commission up to a total of 4.75% of the purchase price of your investment in connection with your initial purchase. However, in some cases, described below, your purchase may not be subject to an initial sales charge, and the offering price will be the net asset value. In other cases, you may be eligible for a reduced sales charge. The sales charge varies depending on the amount of your purchase. The current sales charge rates are as follows:

AMOUNT OF INVESTMENT	SALES CHARGE AS % OF OFFERING PRICE	SALES CHARGE AS % OF NET AMOUNT INVESTED
Less than \$100,000	4.75%	4.99%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.75%	2.83%
\$500,000 but less than \$1,000,000	1.60%	1.63%
\$1,000,000 or greater	*	*

* FOR INVESTMENTS OF \$1 MILLION OR MORE, A-CLASS SHARES ARE SOLD AT NAV, WITHOUT ANY UP-FRONT SALES CHARGE. HOWEVER, IF YOU SELL YOUR SHARES WITHIN 18 MONTHS OF PURCHASE, YOU WILL NORMALLY HAVE TO PAY A 1% CONTINGENT DEFERRED SALES CHARGE ("CDSC") BASED ON YOUR INITIAL PURCHASE PRICE OR CURRENT MARKET VALUE, WHICHEVER IS LOWER. THE CDSC IS USED TO REIMBURSE THE DISTRIBUTOR FOR PAYING YOUR FINANCIAL INTERMEDIARY A SALES COMMISSION UP TO A TOTAL OF 1.00% OF THE PURCHASE PRICE OF YOUR INVESTMENT IN CONNECTION WITH YOUR INITIAL PURCHASE. FOR MORE INFORMATION ABOUT WHETHER YOUR FINANCIAL INTERMEDIARY HAS ENTERED INTO SUCH AN ARRANGEMENT, CONTACT YOUR INTERMEDIARY DIRECTLY.

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HOW TO REDUCE YOUR SALES CHARGE

You may be eligible to purchase A-Class Shares for reduced sales charges. To qualify for these reductions, you or your financial intermediary must provide sufficient information, IN WRITING AND AT THE TIME OF PURCHASE, to verify that your purchase qualifies for such treatment. For additional information, including information on aggregating purchases among related accounts to receive reduced sales charges, see the SAI. Consistent with the policies described in this prospectus, you and your "immediate family" (your spouse and your children under the age of 21) may combine your Fund holdings to reduce your sales charge. New purchases of A-Class Shares of the U.S. Government Money Market Fund (the "Rydex Money Market Fund"), which is offered in a separate prospectus, and existing holdings of A-Class Shares of the Rydex Money Market Fund that have not previously been subject to a sales charge will not be counted for purposes of reducing your sales charge on purchases of A-Class Shares of the Funds, as discussed below.

- o RIGHTS OF ACCUMULATION. To qualify for the lower sales charge rates that apply to larger purchases of A-Class Shares, you may combine your new purchases of A-Class Shares with the shares of any other A-Class Shares or C-Class Shares (offered in a separate prospectus) of Rydex Funds that you already own. The applicable initial sales charge for the new purchase is based on the total of your current purchase and the current value of all other A-Class and C-Class Shares that you own. Additionally, you may combine simultaneous purchases of A-Class Shares of one Fund with A-Class Shares of any other Fund to reduce the sales charge rate that applies to purchases of each Fund's A-Class Shares. The reduced sales charge will apply only to current purchases and must be requested in writing when you buy your shares. As discussed above, A-Class Shares of the Money Market Fund that have not been subject to a sales charge will not be counted for purposes of reducing your sales charge.
- o LETTERS OF INTENT. Under a Letter of Intent ("LOI"), you commit to purchase a specified dollar amount of A-Class Shares of Rydex Funds during a 13-month period. At your written request, A-Class Share purchases made during the previous 90 days may be included. The amount you agree to purchase determines the initial sales charge you pay. If the full-face amount of the LOI is not invested by the end of the 13-month period, your account will be adjusted to the higher initial sales charge level for the amount actually invested. You are not legally bound by the terms of your LOI to purchase the amount of your shares stated in the LOI. The LOI does, however, authorize the Funds to hold in escrow 4% of the total amount you intend to purchase. If you do not complete the total intended purchase at the end of the 13-month period, the Funds' transfer agent will redeem the necessary portion of the escrowed shares to make up the difference between the reduced rate sales charge (based on the amount you intended to purchase) and the sales charge that would normally apply (based on the actual amount you purchased). As discussed above, A-Class Shares of the Money Market Fund that have not been subject to a sales charge will not be counted for purposes of reducing your sales charge.

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- o REPURCHASE OF A-CLASS SHARES. If you have redeemed A-Class Shares of any Fund within the past 365 days, you may repurchase an equivalent amount of A-Class Shares of any Fund at NAV, without the normal front-end sales charge. In effect, this allows you to reacquire shares that you may have had to redeem, without re-paying the front-end sales charge. You may exercise this privilege only once and must notify the Fund that you intend to do so in writing. The Fund must receive your purchase order within 365 days of your redemption. Note that if you reacquire shares through separate installments (e.g., through monthly or quarterly repurchases), the sales charge waiver will only apply to those portions of your repurchase order received within 365 days of your redemption.

SALES CHARGE WAIVERS

The sales charge on purchases of A-Class Shares is waived for certain types of investors, including:

- o Directors and officers of any fund sponsored by the Advisor or any of its subsidiaries and their immediate families (e.g., spouse, children, mother or father).
- o Employees of the Advisor and their immediate families, or any full-time employee or registered representative of the Distributor or of broker-dealers having dealer agreements with the Distributor (a "Selling Broker") and their immediate families (or any trust, pension, profit sharing or other benefit plan for the benefit of such persons).
- o Any full-time employee of a bank, savings and loan, credit union or other financial institution that utilizes a Selling Broker to clear purchases of the fund's shares and their immediate families.
- o Participants in certain "wrap-fee" or asset allocation programs or other fee based arrangements sponsored by broker-dealers and other financial institutions that have entered into agreements with the Distributor.
- o Any accounts established on behalf of registered investment advisers or their clients by broker-dealers that charge a transaction fee and that have entered into agreements with the Distributor.
- o Separate accounts used to fund certain unregistered variable annuity contracts or Section 403(b) or 401(a) or (k) accounts.

SALES CHARGE EXCEPTIONS

You will not pay initial sales charges on the following:

- o New purchases of A-Class Shares of the Money Market Fund, which are offered in a separate prospectus.
- o A-Class Shares purchased by reinvesting dividends and distributions.
- o When exchanging A-Class Shares of one Fund for A-Class Shares of another Fund, unless you are exchanging A-Class Shares of the Money Market Fund that have not previously been subject to a sales charge.

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BUYING FUND SHARES

The Funds offer their shares continuously and investors may submit purchase orders to buy shares on any Business Day. However, Rydex reserves the right to reject or refuse, in whole or in part, any purchase order for Fund shares. Purchase orders, like any other share transaction, are subject to the Funds' transaction cut-off times.

PURCHASE PROCEDURES

The Funds offer you the option to send purchase orders by mail, fax or internet and send purchase proceeds by check, wire transfer or ACH. The Funds do not accept cash or cash equivalents, such as travelers' checks, money orders, bearer bonds, government checks, third-party checks or credit card convenience checks. Cashiers checks, bank checks, official checks and treasurers' checks under \$10,000 are also not accepted. You may buy shares and send your purchase proceeds by any of the methods described below:

BY MAIL

IRA AND OTHER RETIREMENT ACCOUNTS REQUIRE ADDITIONAL PAPERWORK.

CALL RYDEX SHAREHOLDER SERVICES TO REQUEST A RETIREMENT ACCOUNT INVESTOR APPLICATION KIT.

INITIAL PURCHASE	SUBSEQUENT PURCHASES
Complete the account application that corresponds to the type of account you are opening.	Complete the Rydex investment slip included with your quarterly statement or send written purchase instructions that include:
o MAKE SURE TO DESIGNATE WHICH RYDEX FUND(S) YOU WANT TO PURCHASE.	o YOUR NAME
o MAKE SURE YOUR INVESTMENT MEETS THE ACCOUNT MINIMUM.	o YOUR SHAREHOLDER ACCOUNT NUMBER
	o WHICH RYDEX FUND(S) YOU WANT TO PURCHASE.

Make your check payable to RYDEX FUNDS.

Your check must be drawn on a U.S. bank and payable in U.S. Dollars.

Include the name of the Rydex Fund(s) you want to purchase on your check.

IF YOU DO NOT SPECIFY WHICH RYDEX FUND(S) YOU WANT TO PURCHASE, YOUR INVESTMENT WILL BE CREDITED TO THE RYDEX U.S. GOVERNMENT MONEY MARKET FUND, WHICH IS OFFERED IN A SEPARATE PROSPECTUS.

Mail your application and check to:

Mail your written purchase instructions and check to:

MAILING ADDRESS:

Rydex Funds
Attn: Ops. Dept.
9601 Blackwell Road, Suite 500
Rockville, MD 20850

Rydex will ordinarily cancel your purchase order under the following circumstances:

- o if your bank does not honor your check for any reason
- o if the transfer agent does not receive your wire transfer
- o if the transfer agent does not receive your ACH transfer
- o if your bank does not honor your ACH transfer

IF YOUR PURCHASE ORDER IS CANCELLED FOR ANY OF THESE REASONS, YOU WILL NOT BE ENTITLED TO BENEFIT FROM ANY INCREASE IN NAV THAT THE FUND(S) MAY HAVE EXPERIENCED FROM THE TIME OF YOUR ORDER TO THE TIME OF ITS CANCELLATION. IN ADDITION, IF THE FUND(S) NAV DECREASES IN VALUE FROM THE TIME OF YOUR ORDER TO THE TIME OF ITS CANCELLATION, THE FUND(S) WILL HOLD YOU LIABLE FOR ANY LOSSES THAT IT INCURS AS A RESULT OF YOUR CANCELLED ORDER.

SELLING FUND SHARES

The Funds redeem their shares continuously and investors may sell their shares back to the Funds on any Business Day. You may redeem all or any portion of your Fund shares at the next determined NAV, subject to any applicable CDSC, after the transfer agent processes and the Fund receives your redemption order. Redemption orders, like any other share transaction, are subject to the Funds' transaction cut-off times.

The Funds may suspend your right to redeem your shares during times when trading on the NYSE is suspended or restricted, or otherwise as permitted by the SEC. The Funds reserve the right to pay part of your redemption proceeds in liquid securities with a market value equal to the redemption price.

REDEMPTION PROCEDURES

You will ordinarily submit your transaction order through your financial intermediary or other securities dealers through which you opened your shareholder account. The Funds offer you the option to send redemption orders by:

MAIL Rydex Funds
Attn: Ops. Dept.
9601 Blackwell Road, Suite 500
Rockville, MD 20850

FAX 301.296.5103
If you send your redemption order by fax, you should call
Rydex shareholder services at 800.820.0888 or 301.296.5406 to
verify that your fax was received.

TELEPHONE 800.820.0888 or 301.296.5406

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Whether you transmit your redemption order by mail, fax or telephone, you must include the following information in your redemption order:

- o your name
- o your shareholder account number
- o Fund name(s)
- o dollar amount or number of shares you would like to sell
- o whether you want your sale proceeds sent to you by check, wire or ACH
- o signature of account owner(s) (not required for telephone redemptions)

You may only place a redemption order if you are the registered owner of the account or the registered owner has given you written authorization to trade the account. You will receive a confirmation number for your redemption. Please retain it for your records.

REDEMPTIONS FROM QUALIFIED RETIREMENT ACCOUNTS

Redeeming shares that you hold through a tax-qualified retirement account may have adverse tax consequences to you. You should consult your tax adviser before redeeming shares and making distributions from your tax qualified account. All redemptions from tax-qualified retirement accounts must be in writing and must specify whether Rydex should withhold taxes from your redemption proceeds.

RECEIVING YOUR REDEMPTION PROCEEDS

Your redemption proceeds normally will be sent within five Business Days of the transfer agent receiving your request. For redemption orders that settle on federal bank holidays, your redemption proceeds will be wired on the next Business Day following the holiday. FOR INVESTMENTS MADE BY CHECK OR ACH (NOT WIRE PURCHASES), PAYMENT OF REDEMPTION PROCEEDS MAY BE DELAYED UNTIL THE TRANSFER AGENT IS REASONABLY SATISFIED THAT YOUR CHECK HAS CLEARED. IT MAY TAKE UP TO 15 DAYS FOR YOUR CHECK TO CLEAR.

All redemptions will be mailed to your address of record, sent electronically via ACH or wired to your bank account of record. You may request overnight mail service for an additional fee. If you request payment of redemption proceeds to a third party or to a location other than your address of record or bank account of record, your redemption request must be in writing and must include a signature guarantee.

SIGNATURE GUARANTEES

Signature guarantees help protect you and your account against fraud. You can obtain a signature guarantee at most banks and financial intermediaries. A notary public cannot provide a signature guarantee. You may not use fax to transmit a signature guarantee to the Funds.

LOW BALANCE ACCOUNTS

The Funds may redeem your shares if the value of your account falls below the required minimum investment amount due to redemption activity. However, the Funds will provide you with at least 30 days' written notice to allow you sufficient time to add to your account and avoid the redemption of

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your shares. In addition, to offset the administrative expense of servicing small accounts, the Funds may impose an administrative fee of \$15 per year during periods where your account balance falls below the account minimum requirements for any reason.

The Funds reserve the right to close your account in cases of abusive, harassing or threatening conduct or suspected fraudulent or illegal activity. This action may be taken when, in the sole discretion of fund management, it is deemed to be in the best interest of the Funds or in cases where the Funds are requested or compelled to do so by governmental or law enforcement authority. If your account is closed at the request of governmental or law enforcement authority, you may not receive proceeds of the redemption if the Funds are required to withhold such proceeds.

EXCHANGING FUND SHARES

Unlike most mutual funds, the Funds offer unlimited exchange privileges with no minimum holding periods or transaction fees. An exchange is when you sell shares of one Fund and use the proceeds from that sale to purchase shares of another Fund. Investors may make exchanges on any Business Day of C-Class Shares of any Fund for C-Class Shares of any other Fund, and of A-Class Shares of any Fund for A-Class Shares of any other Fund on the basis of the respective net asset values of the shares involved. Exchange requests, like any other share transaction, are subject to the Funds' transaction cut-off times. The exchange privilege may be modified or discontinued at any time.

EXCHANGE PROCEDURES

The Funds offer you the option to send exchange requests by:

MAIL Rydex Funds
Attn: Ops. Dept.
9601 Blackwell Road, Suite 500
Rockville, MD 20850

301.296.5103
If you send your exchange request by fax, you should call
FAX Rydex shareholder services at 800.820.0888 to verify that
your fax was received.

TELEPHONE 800.820.0888 or 301.296.5406

INTERNET Follow the directions on the Rydex web site -
www.rydexinvestments.com

Whether you transmit your exchange request by mail, fax, telephone or internet, you must include the following information in your exchange request:

- o your name
- o your shareholder account number
- o Fund name(s) you are exchanging out of (selling) and Fund name(s) you are exchanging in to (buying)

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- o dollar amount, number of shares or percentage of Fund position involved in the exchange
- o signature of account owner(s) (not required for telephone or internet exchanges)

You may only place exchange orders if you are the registered owner of the account or the registered owner has given you written authorization to trade the account. You will receive a confirmation number for your exchange. Please retain it for your records.

MINIMUM EXCHANGE AMOUNTS

The minimum amount for an exchange is either \$1,000 or 100% of the Fund position from which the exchange is coming, whichever is less. If you are exchanging the minimum amount, you may not split the proceeds between multiple Rydex Funds. If you place exchange transactions in shares or in percentages, the minimum exchange amount still applies. This minimum may be waived for accounts that are part of an asset allocation strategy.

EXCHANGES WITH OTHER RYDEX FUNDS

Investors may make exchanges on any Business Day of C-Class Shares of any Dynamic Fund for C-Class Shares, and A-Class Shares of any Dynamic Fund for A-Class Shares, of any Rydex Fund not offered in this Prospectus. While most Rydex Funds offer unlimited exchange privileges with no minimum holding periods or transaction fees, the Rydex Strategic Funds do not allow unlimited trading. If you are contemplating an exchange for C-Class Shares or A-Class Shares of any Rydex Fund not offered in this Prospectus, you should obtain and review that Fund's current prospectus before making the exchange. You can obtain a prospectus for any Rydex Fund not described in this Prospectus by calling 800.820.0888 or 301.296.5406 or visiting the Rydex web site at www.rydexinvestments.com.

RYDEX ACCOUNT POLICIES

SHAREHOLDER IDENTIFICATION AND VERIFICATION

Federal regulations may require the Funds to obtain your name, your date of

birth (for a natural person), your residential street address or principal place of business and your Social Security Number, Employer Identification Number or other government issued identification when you open an account. Additional information may be required in certain circumstances or to open corporate accounts or other entity. The Funds may use this information to attempt to verify your identity. The Funds may not be able to establish an account if the necessary information is not received. The Funds may also place limits on account transactions while it is in the process of attempting to verify your identity. Additionally, if the Funds are unable to verify your identity after your account is established, the Funds may be required to redeem your shares and close your account.

Customer identification and verification is part of the Funds' overall obligation to deter money laundering under federal law. The Funds have adopted an anti-money laundering compliance program designed to prevent the Funds from being used for money laundering or the financing of terrorist activities. In this regard, the Funds reserve the right to (i) refuse, cancel or rescind any purchase or exchange order, (ii) freeze any account and/or suspend account services or (iii) involuntarily close your account in cases of threatening conduct or suspected fraudulent or illegal activity. These actions will be taken when, in the sole discretion of Fund management, they are deemed to be in the best interest of the Funds or in cases when the Funds are requested or compelled to do so by governmental or law enforcement authority. If your account is closed at the request of governmental or law enforcement authority, you may not receive proceeds of the redemption if the Funds are required to withhold such proceeds.

CHANGES TO YOUR ACCOUNT

For information on what is required to make changes and/or additions to your account, please visit the Rydex web site at www.rydexinvestments.com or call 800.820.0888 or 301.296.5406. If you own shares that are registered in your intermediary's name, and you want to transfer the registration to another intermediary or want the shares registered in your name, then you should contact your intermediary for instructions on how to make this change.

TRANSACTIONS OVER TELEPHONE OR INTERNET

Internet and telephone transactions are extremely convenient, but are not risk free. To ensure that your internet and telephone transactions are safe, secure, and as risk-free as possible, the Rydex Funds have instituted certain safeguards and procedures for determining the identity of web site users (including the use of secure passwords and 128-bit encryption technology) and telephone callers and authenticity of instructions. As a result, neither the Funds nor their transfer agent will be responsible for any loss, liability, cost, or expense for following internet, telephone or wire instructions they reasonably believe to be genuine. If you or your intermediaries make exchange requests by telephone or internet, you will generally bear the risk

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of any loss. Neither the Funds, nor their transfer agent, are responsible for internet transactions that are not received.

During periods of unusually high market activity or other times, it may be difficult to reach Rydex by telephone or access our internet site. Rydex and its affiliates will not be liable for any losses resulting from a cause over which Rydex or its affiliates does not have direct control, including but not limited to the failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems (e.g. if you are unable to access your online service provider), input errors on the internet, severe weather, earthquakes, floods and strikes or other labor problems. If you are not able to reach Rydex by your regular medium, consider sending written instructions.

STATEMENTS & CONFIRMATIONS

You will receive statements and trade confirmations of your investment transactions. You may elect to suppress trade confirmations by requesting this option in writing or via the internet. You may choose to receive your confirmations and/or statements either by mail or electronically.

EDELIVERY SERVICES

eDelivery offers shareholders the convenience of receiving all communications (such as trade confirmations, statements, prospectuses and shareholder reports, etc.) from the Funds through the web via email notification. For more information on eDelivery, please visit the Rydex web site at

www.rydexinvestments.com. The Funds reserve the right to discontinue your eDelivery service if two (2) or more e-mail notices are returned as undeliverable.

SERVICE AND OTHER FEES

Rydex may charge the following administrative fees for services associated with the following:

- o \$15 for wire transfers of redemption proceeds under \$5,000
- o \$50 on purchase checks returned for insufficient funds
- o \$25 to stop payment of a redemption check within 10 Business Days of the settlement date
- o \$15 for standard overnight packages (fee may be higher for special delivery options)
- o \$25 for bounced draft checks or ACH transactions
- o \$15 per year for low balance accounts

Rydex reserves the right to change any of these fees or add additional service fees at any time.

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RETIREMENT ACCOUNT FEES

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

FREQUENT PURCHASES AND REDEMPTIONS OF FUND SHARES

Because the Funds are designed and operated to accommodate frequent trading by shareholders and, unlike most mutual funds, offer unlimited exchange privileges with no minimum holding periods or transaction fees, the Funds' Board of Trustees has not adopted policies and procedures designed to prevent market timing or to monitor for frequent purchases and redemptions of Fund shares. A significant portion of the assets of the Funds come from investors who take part in certain strategic and tactical asset allocation programs. The Funds anticipate that investors who take part in these programs may frequently redeem or exchange shares of the Funds, which may cause the Funds to experience high portfolio turnover. Higher portfolio turnover may result in the Funds paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Funds may negatively impact a Fund's ability to achieve its investment objective.

DISTRIBUTION AND SHAREHOLDER SERVICES

C-CLASS SHARES

The Funds have adopted a Distribution and Shareholder Services Plan pursuant to Rule 12b-1 of the Investment Company Act of 1940 (the "C-Class Plan") applicable to C-Class Shares that allows the Funds to pay annual distribution and service fees of 1.00% of the Funds' average daily net assets. The annual 0.75% distribution fee reimburses Rydex Distributors, Inc. (the "Distributor") for paying your intermediary an on-going sales commission. The annual 0.25% service fee compensates your intermediary for providing on-going services to you. The Distributor advances the first year's distribution and service fees, and retains the distribution and service fees on accounts with no authorized intermediary of record. Because the Fund pays these fees out of assets on an on-going basis, over time these fees may cost you more than other types of sales charges.

A-CLASS SHARES

The Funds have adopted a Distribution Plan (the "Plan") applicable to A-Class Shares that allows the Funds to pay distribution fees to Rydex Distributors, Inc. (the "Distributor") and other firms that provide distribution services ("Service Providers"). The 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 of the Investment Company Act of 1940. The Distributor generally

will, in turn, pay the Service Provider out of its fees. Because the Funds pay these fees out of assets on an ongoing basis, over time these fees may cost you more than other types of sales charges.

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OTHER COMPENSATION TO DEALERS

In addition to amounts paid as a sales commission, Rydex Investments, at its expense, currently provides additional compensation to investment dealers. These payments may be made, at the discretion of Rydex Investments, to certain dealers who have sold shares of the Rydex Funds. The level of payments made to dealers in any given year will vary, but may be significant. These payments may provide an incentive for dealers to sell shares of the Rydex Funds and promote the retention of their customer's assets in the Funds. Any payments described above will not change the price paid by investors for the purchase of the applicable Rydex Fund's shares or the amount that any particular Rydex Fund will receive as proceeds from such sales. Rydex Investments determines the cash payments described above in its discretion in response to requests from dealer firms, based on factors it deems relevant. (A number of factors will be considered in determining payments, including the dealer's sales, assets, share class utilized and the quality of the dealer's relationship with Rydex Investments.) Rydex Investments will, on an annual basis, determine the advisability of continuing these payments. Rydex Investments may also pay expenses associated with meetings that facilitate educating financial advisers and shareholders about the Rydex Funds that are conducted by dealers.

DIVIDENDS AND DISTRIBUTIONS

TIMING OF PAYMENTS

Income dividends, if any, are paid at least annually by each of the Funds. If you own Fund shares on a Fund's record date, you will be entitled to receive the dividend. The Funds may declare and pay dividends on the same date. The Funds make distributions of capital gains, if any, at least annually. The Funds, however, may declare a special capital gains distribution if the Board of Trustees believe that such a distribution would be in the best interest of the shareholders of a Fund.

DIVIDEND PAYMENT OPTIONS

Dividends and distributions will be paid in the form of additional Fund shares unless you have elected to receive payment in cash. If you did not elect to receive cash payments of dividends and distributions on your application, you must notify the Funds in writing to change your election prior to the date of the next distribution. Your election will become effective for dividends paid after the Funds receive your written notice. To cancel your election, simply send written notice to the Funds. Dividends and distributions with values of \$10 or less may be automatically reinvested.

TAX INFORMATION

The following is a summary of some important tax issues that affect the Funds and their shareholders. The summary is based on current tax laws, which may be changed by legislative, judicial or administrative action. You should not consider this summary to be a detailed explanation of the tax

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treatment of the Funds, or the tax consequences of an investment in the Funds. MORE INFORMATION ABOUT TAXES IS LOCATED IN THE SAI. YOU ARE URGED TO CONSULT YOUR TAX ADVISER REGARDING SPECIFIC QUESTIONS AS TO FEDERAL, STATE AND LOCAL INCOME TAXES.

TAX STATUS OF EACH FUND

Each Fund is treated as a separate entity for federal tax purposes, and intends to qualify for the special tax treatment afforded regulated investment companies. As long as a Fund qualifies as a regulated investment company, it

pays no federal income tax on the earnings it distributes to shareholders.

TAX STATUS OF DISTRIBUTIONS

- o Each Fund will, at least annually, distribute substantially all of its net investment income and net capital gains income.
- o The income dividends and short-term capital gains distributions you receive from the Funds will be taxed as either ordinary income or qualified dividend income. Dividends that are qualified dividend income are eligible for the reduced maximum rate to individuals of 15% (5% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income.
- o Any long-term capital gains distributions you receive from a Fund are taxable as long-term capital gains regardless of how long you have owned your shares. Long-term capital gains are currently taxed at a maximum rate of 15%.
- o Absent further legislation, the maximum 15% tax rate on qualified dividend income and long-term capital gains will cease to apply to taxable years beginning after December 31, 2008.
- o Dividends and distributions are generally taxable to you whether you receive them in cash or in additional shares.
- o Corporate shareholders may be entitled to a dividends-received deduction for the portion of dividends they receive that are attributable to dividends received by a fund from U.S. corporations, subject to certain limitations.
- o Long-term capital gains distributions will result from gains on the sale or exchange of capital assets held by a Fund for more than one year.
- o Distributions paid in January but declared by a Fund in October, November or December of the previous year may be taxable to you in the previous year.
- o The Fund will inform you of the amount of your ordinary income dividends, qualified dividend income, and capital gain distributions shortly after the close of each calendar year.

TAX STATUS OF SHARE TRANSACTIONS

EACH SALE, EXCHANGE, OR REDEMPTION OF FUND SHARES MAY BE A TAXABLE EVENT TO YOU. For tax purposes, an exchange of Fund shares for shares of a different Rydex Fund is treated the same as a sale. You should consider the tax consequences of any redemption or exchange before making such a request, especially with respect to redemptions if you invest in the Funds through a tax-qualified retirement plan.

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STATE TAX CONSIDERATIONS

A Fund is not liable for any income or franchise tax in Delaware as long as it qualifies as a regulated investment company for federal income tax purposes. In addition to federal taxes, distributions by the Funds and ownership of Fund shares may be subject to state and local taxes. You should consult your tax adviser regarding how state and local tax laws affect your investment in Fund shares.

MANAGEMENT OF THE FUNDS

INVESTMENT ADVISOR

Rydex Investments (the "Advisor"), 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, serves as investment adviser and manager of the Funds. The Advisor has served as the investment adviser of the Rydex Funds since the Funds' inception over 10 years ago, and serves as sub-adviser to several other mutual funds.

The Advisor makes investment decisions for the assets of the Funds and continuously reviews, supervises, and administers each Fund's investment program. The Board of Trustees of the Trust supervise the Advisor and establish policies that the Advisor must follow in its day-to-day management activities. Under investment advisory agreements between the Trust and the Advisor, the Funds paid the Advisor a fee at an annualized rate for the fiscal year ended December, 31, 2004 based on the average daily net assets for each Fund, as set forth below:

FUND	ADVISORY FEE*
TITAN 500 FUND	0.90%
TEMPEST 500 FUND	0.90%
VELOCITY 100 FUND	0.90%
VENTURE 100 FUND	0.90%
LONG DYNAMIC DOW 30 FUND	0.90%
INVERSE DYNAMIC DOW 30 FUND	0.90%

* THE ADVISORY FEES PAID REPRESENT THE FEES PAID AT THE MASTER FUND LEVEL.

The Advisor bears all of its own costs associated with providing these advisory services and the expenses of the Board of Trustees who are affiliated with the Advisor. The Advisor may make payments from its own resources to broker-dealers and other financial institutions in connection with the sale of Fund shares.

PORTFOLIO MANAGEMENT

Each Fund is managed by a team of investment professionals. The following portfolio managers are jointly and primarily responsible for the day-to-day management of the Funds. Each of the following portfolio managers are members of the Rydex Investment Committee and together they share final portfolio management decision making authority.

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MICHAEL P. BYRUM, CFA, has been associated with Rydex Investments since the Advisor was founded in 1993. Mr. Byrum was named the President of Rydex Investments in 2004 and has served as Chief Investment Officer of Rydex Investments since 2000. During this time, he has played a key role in the development of the firm's investment strategies and product offerings. As Senior Portfolio Manager, Mr. Byrum was instrumental in the launch of the OTC, Precious Metals, U.S. Government Bond, Ursa and Arktos Funds, and helped to create the Rydex Sector Funds. He was named Vice President of Portfolio for Rydex Investments in 1998, and Executive Vice President in 2000. Prior to joining Rydex, Mr. Byrum worked for Money Management Associates, the investment adviser for Rushmore Funds, Inc. He holds a degree in finance from Miami University of Ohio.

WILLIAM E. FLAIG, JR., joined Rydex in January 2000 to manage the Large-Cap Europe and Large-Cap Japan Funds. Mr. Flaig has been instrumental in the development of derivative strategies for these Funds and for the Rydex Dynamic Funds, which were launched the same year. In 2001, he was promoted to senior portfolio manager and group leader for Rydex's S&P 500-based funds, fixed-income funds and several sector funds. In this capacity, Mr. Flaig helped to advance Rydex's quantitative management abilities and process. In 2003, Mr. Flaig was promoted to director of investments. He is responsible for the investment objectives of all mutual funds and sub-advised accounts and is a member of Rydex's senior management team and its Investment Strategy Committee, which determines investment policy for all Rydex Funds. Mr. Flaig came to Rydex after more than seven years at Bankers Trust, where he was a trader in emerging markets currency derivatives. He holds a degree in management and finance from Purdue University.

JIM KING, CFA, joined Rydex in 1996 and was promoted to assistant portfolio manager in 1997. In 1998, he became a portfolio manager and was promoted in 2001 to senior portfolio manager. Mr. King has served as an interim director of equity trading and investment operations. Currently, Mr. King's team manages all of the Rydex leveraged and inverse funds, as well as Rydex Sector Rotation Fund. Mr. King is a member of Rydex's Investment Strategy Committee, which determines investment policy for all Rydex Funds. Prior to joining Rydex, he worked as a registered representative at DMG Securities. He holds a degree in finance from the University of Maryland.

Additional Information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Funds is available in the SAI.

FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand the Funds' financial performance for the period of operations of C-Class Shares and A-Class Shares. Certain information reflects financial results for a single Fund Share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in a C-Class Share of a Fund or A-Class Share of a Fund (assuming reinvestment of all dividends and distributions). This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the financial statements and related notes, appears in the Rydex Dynamic Funds' 2004 Annual Report. The 2004 Annual Report is available by telephoning the transfer agent at 800.820.0888 or 301.296.5100. The Annual Report is incorporated by reference in the SAI.

<TABLE>
<CAPTION>

	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME (LOSS)+	NET REALIZED AND UNREALIZED GAINS (LOSSES) ON SECURITIES	NET INCREASE (DECREASE) IN NET ASSET VALUE RESULTING FROM OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED CAPITAL GAINS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- A-CLASS DECEMBER 31, 2004*	\$ 31.91	\$ (.07)	\$ 6.29	\$ 6.22	\$ --	\$ --
TITAN 500 FUND -- C-CLASS						
DECEMBER 31, 2004	31.57	(.52)	5.80	5.28	--	--
December 31, 2003	20.76	(.38)	11.19	10.81	--	--
December 31, 2002++	39.24	(.42)	(18.06)	(18.48)	--	--
December 31, 2001++	60.00	(.57)	(20.19)	(20.76)	--	--
December 31, 2000***	64.02	.18	(4.20)	(4.02)	--	--
TEMPEST 500 FUND -- A-CLASS DECEMBER 31, 2004*	50.99	(.11)	(8.77)	(8.88)	--	--
TEMPEST 500 FUND -- C-CLASS						
DECEMBER 31, 2004	51.58	(.73)	(9.93)	(10.66)	--	--
December 31, 2003	92.07	(1.03)	(39.46)	(40.49)	--	--
December 31, 2002	67.98	(1.36)	26.19	24.83	--	(.74)
December 31, 2001*	61.02	(.88)	7.84	6.96	--	--
VELOCITY 100 FUND -- A-CLASS DECEMBER 31, 2004*	\$ 16.73	\$ (.10)	\$ 6.09	\$ 5.99	\$ --	\$ --
VELOCITY 100 FUND -- C-CLASS						
DECEMBER 31, 2004	18.82	(.27)	2.86	2.59	--	--
December 31, 2003	9.69	(.22)	9.77	9.55	--	(.42)
December 31, 2002	31.45	(.19)	(21.57)	(21.76)	--	--
December 31, 2001	104.50	(.45)	(72.60)	(73.05)	--	--
December 31, 2000***	160.00	(2.00)	(53.50)	(55.50)	--	--

</TABLE>

* Since the commencement of operations: November 27, 2000--Titan 500 Fund C-Class; March 7, 2001--Tempest 500 Fund C-Class; September 1, 2004--Titan 500 Fund A-Class and Tempest 500 Fund A-Class.

** Annualized

*** Portfolio turnover rate is calculated without regard to short-term securities having a maturity of less than one year.

+ Calculated using the average daily shares outstanding for the year.

++ Per share amounts for periods ended December 31, 2000 through December 31, 2002 have been restated to reflect a 1:3 reverse stock split effective April 21, 2003.

@ Expense Ratios to Average Net Assets include expenses of the corresponding Master Portfolio.

PROSPECTUS 51

<TABLE>
<CAPTION>

	TOTAL DISTRIBUTIONS	NET INCREASE (DECREASE) IN NET ASSET VALUE	NET ASSET VALUE, END OF PERIOD	TOTAL INVESTMENT RETURN
<S>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- A-CLASS				

DECEMBER 31, 2004*	\$ --	\$ 6.22	\$ 38.13	19.49%
TITAN 500 FUND -- C-CLASS				
DECEMBER 31, 2004	--	5.28	36.85	16.72%
December 31, 2003	--	10.81	31.57	52.07%
December 31, 2002++	--	(18.48)	20.76	(47.09)%
December 31, 2001++	--	(20.76)	39.24	(34.60)%
December 31, 2000*++	--	(4.02)	60.00	(6.28)%
TEMPEST 500 FUND -- A-CLASS				
DECEMBER 31, 2004*	--	(8.88)	42.11	(17.42)%
TEMPEST 500 FUND -- C-CLASS				
DECEMBER 31, 2004	--	(10.66)	40.92	(20.67)%
December 31, 2003	--	(40.49)	51.58	(43.98)%
December 31, 2002	(.74)	24.09	92.07	36.54%
December 31, 2001*	--	6.96	67.98	11.41%
VELOCITY 100 FUND -- A-CLASS				
DECEMBER 31, 2004*	\$ --	\$ 5.99	\$ 22.72	35.80%
VELOCITY 100 FUND -- C-CLASS				
DECEMBER 31, 2004	--	2.59	21.41	13.76%
December 31, 2003	(.42)	9.13	18.82	98.54%
December 31, 2002	--	(21.76)	9.69	(69.19)%
December 31, 2001	--	(73.05)	31.45	(69.90)%
December 31, 2000*++	--	(55.50)	104.50	(34.69)%

</TABLE>

<TABLE>

<CAPTION>

RATIOS TO
AVERAGE NET ASSETS:

	GROSS EXPENSES@	NET EXPENSES@	NET INVESTMENT INCOME (LOSS)	PORTFOLIO TURNOVER RATE***	NET ASSETS, END OF PERIOD (000'S OMITTED)
<S>	<C>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- A-CLASS					
DECEMBER 31, 2004*	1.61%**	1.61%**	(0.68)%**	190%	\$ 1,555
TITAN 500 FUND -- C-CLASS					
DECEMBER 31, 2004	2.45%	2.45%	(1.52)%	190%	77,838
December 31, 2003	2.46%	2.46%	(1.52)%	769%	70,715
December 31, 2002++	2.50%	2.50%	(1.56)%	1,227%	11,491
December 31, 2001++	2.64%	2.50%	(2.08)%	1,494%	7,965
December 31, 2000*++	2.50%**	2.50%**	3.10%**	0%	190
TEMPEST 500 FUND -- A-CLASS					
DECEMBER 31, 2004*	1.65%**	1.65%**	(0.72)%**	0%	1,498
TEMPEST 500 FUND -- C-CLASS					
DECEMBER 31, 2004	2.45%	2.45%	(1.52)%	0%	28,465
December 31, 2003	2.46%	2.46%	(1.52)%	0%	33,841
December 31, 2002	2.50%	2.50%	(1.49)%	0%	16,786
December 31, 2001*	2.50%**	2.50%**	(1.52)%**	0%	1,231
VELOCITY 100 FUND -- A-CLASS					
DECEMBER 31, 2004*	1.58%**	1.58%**	(0.65)%**	154%	2,308
VELOCITY 100 FUND -- C-CLASS					
DECEMBER 31, 2004	2.44%	2.44%	(1.51)%	154%	86,591
December 31, 2003	2.46%	2.46%	(1.52)%	530%	54,498
December 31, 2002	2.50%	2.50%	(1.54)%	298%	15,311
December 31, 2001	2.50%	2.50%	(1.58)%	733%	15,205
December 31, 2000*++	2.50%**	2.50%**	(14.36)%**	757%	83

</TABLE>

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FINANCIAL HIGHLIGHTS

<TABLE>

<CAPTION>

	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME (LOSS)+	NET REALIZED AND UNREALIZED GAINS (LOSSES) ON SECURITIES	NET INCREASE (DECREASE) IN NET ASSET VALUE RESULTING FROM OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED CAPITAL GAINS
<S>	<C>	<C>	<C>	<C>	<C>	<C>

VENTURE 100 FUND -- A-CLASS							
DECEMBER 31, 2004*	28.20	(.04)	(8.10)	(8.14)	--	--	
VENTURE 100 FUND -- C-CLASS							
DECEMBER 31, 2004	26.15	(.38)	(6.21)	(6.59)	--	--	
December 31, 2003	71.08	(.58)	(44.35)	(44.93)	--	--	
December 31, 2002	48.72	(1.13)	25.48	24.35	--	(1.99)	
December 31, 2001*	57.68	(.69)	(8.27)	(8.96)	--	--	
LONG DYNAMIC DOW 30 FUND -- A-CLASS							
DECEMBER 31, 2004*	\$ 22.72	\$ (.05)	\$ 2.72	\$ 2.67	\$ --	\$ --	
LONG DYNAMIC DOW 30 FUND -- C-CLASS							
DECEMBER 31, 2004*	25.00	(.30)	.52	.22	--	--	
INVERSE DYNAMIC DOW 30 FUND -- A-CLASS							
DECEMBER 31, 2004*	52.00	(.11)	(6.29)	(6.40)	--	(.19)	
INVERSE DYNAMIC DOW 30 FUND -- C-CLASS							
DECEMBER 31, 2004*	50.00	(.69)	(4.02)	(4.71)	--	(.19)	

</TABLE>

* Since the commencement of operations: November 27, 2000--Titan 500 Fund C-Class; March 7, 2001--Tempest 500 Fund C-Class; September 1, 2004--Titan 500 Fund A-Class and Tempest 500 Fund A-Class.

** Annualized

*** Portfolio turnover rate is calculated without regard to short-term securities having a maturity of less than one year.

+ Calculated using the average daily shares outstanding for the year.

++ Per share amounts for periods ended December 31, 2000 through December 31, 2002 have been restated to reflect a 1:3 reverse stock split effective April 21, 2003.

@ Expense Ratios to Average Net Assets include expenses of the corresponding Master Portfolio.

PROSPECTUS 53

<TABLE>

<CAPTION>

	TOTAL DISTRIBUTIONS	NET INCREASE (DECREASE) IN NET ASSET VALUE	NET ASSET VALUE, END OF PERIOD	TOTAL INVESTMENT RETURN
<S>	<C>	<C>	<C>	<C>
VENTURE 100 FUND -- A-CLASS				
DECEMBER 31, 2004*	--	(8.14)	20.06	(28.87)%
VENTURE 100 FUND -- C-CLASS				
DECEMBER 31, 2004	--	(6.59)	19.56	(25.20)%
December 31, 2003	--	(44.93)	26.15	(63.21)%
December 31, 2002	(1.99)	22.36	71.08	50.09%
December 31, 2001*	--	(8.96)	48.72	(15.53)%
LONG DYNAMIC DOW 30 FUND -- A-CLASS				
DECEMBER 31, 2004*	\$ --	\$ 2.67	\$ 25.39	11.75%
LONG DYNAMIC DOW 30 FUND -- C-CLASS				
DECEMBER 31, 2004*	--	.22	25.22	0.88%
INVERSE DYNAMIC DOW 30 FUND -- A-CLASS				
DECEMBER 31, 2004*	(.19)	(6.59)	45.41	(12.30)%
INVERSE DYNAMIC DOW 30 FUND -- C-CLASS				
DECEMBER 31, 2004*	(.19)	(4.90)	45.10	(9.42)%

<CAPTION>

RATIOS TO AVERAGE NET ASSETS:

	GROSS EXPENSES@	NET EXPENSES@	NET INVESTMENT INCOME (LOSS)	PORTFOLIO TURNOVER RATE***	NET ASSETS, END OF PERIOD (000'S OMITTED)
<S>	<C>	<C>	<C>	<C>	<C>
VENTURE 100 FUND -- A-CLASS					

DECEMBER 31, 2004*	1.54%**	1.54%**	(0.61)%**	0%	639
VENTURE 100 FUND -- C-CLASS					
DECEMBER 31, 2004	2.45%	2.45%	(1.52)%	0%	27,640
December 31, 2003	2.46%	2.46%	(1.52)%	0%	38,597
December 31, 2002	2.50%	2.50%	(1.60)%	0%	22,654
December 31, 2001*	2.50%**	2.50%**	(1.42)%**	0%	5,794

<CAPTION>

	TOTAL EXPENSES@				
<S>	<C>	<C>	<C>	<C>	<C>
LONG DYNAMIC DOW 30 FUND -- A-CLASS DECEMBER 31, 2004*	1.56%**	(0.63)%**	796%	\$	359
LONG DYNAMIC DOW 30 FUND -- C-CLASS DECEMBER 31, 2004*	2.41%**	(1.48)%**	796%		4,368
INVERSE DYNAMIC DOW 30 FUND -- A-CLASS DECEMBER 31, 2004*	1.62%**	(0.69)%**	0%		347
INVERSE DYNAMIC DOW 30 FUND -- C-CLASS DECEMBER 31, 2004*	2.43%**	(1.50)%**	0%		455

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YOU MAY OBTAIN A COPY OF THE SAI OR THE ANNUAL OR SEMI-ANNUAL REPORTS, WITHOUT CHARGE BY CALLING 800.820.0888 OR 301.296.5100, VISITING THE RYDEX WEB SITE AT WWW.RYDEXINVESTMENTS.COM, OR WRITING TO RYDEX DYNAMIC FUNDS, AT 9601 BLACKWELL ROAD, SUITE 500, ROCKVILLE, MARYLAND 20850. ADDITIONAL INFORMATION ABOUT THE FUNDS' INVESTMENTS IS AVAILABLE IN THE ANNUAL AND SEMI-ANNUAL REPORTS. ALSO, IN THE FUNDS' ANNUAL REPORTS, YOU WILL FIND A DISCUSSION OF THE MARKET CONDITIONS AND INVESTMENT STRATEGIES THAT SIGNIFICANTLY AFFECTED THE FUNDS' PERFORMANCE DURING ITS LAST FISCAL YEAR.

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS OR IN THE TRUST'S SAI IN CONNECTION WITH THE OFFERING OF FUND SHARES. DO NOT RELY ON ANY SUCH INFORMATION OR REPRESENTATIONS AS HAVING BEEN AUTHORIZED BY THE TRUST OR RYDEX INVESTMENTS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING BY THE FUNDS IN ANY JURISDICTION WHERE SUCH AN OFFERING IS NOT LAWFUL.

THE TRUST'S SEC REGISTRATION NUMBER IS 811-09525.

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PROSPECTUS 57

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RYDEX DYNAMIC FUNDS

PROSPECTUS
H-CLASS SHARES
MAY 1, 2005

TITAN 500 FUND
TEMPEST 500 FUND
VELOCITY 100 FUND
VENTURE 100 FUND
LONG DYNAMIC DOW 30 FUND
INVERSE DYNAMIC DOW 30 FUND

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PROSPECTUS 1

RYDEX DYNAMIC FUNDS
H-CLASS SHARES

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800.820.0888 o 301.296.5100 o WWW.RYDEXINVESTMENTS.COM

Rydex Dynamic Funds (the "Trust") is a mutual fund complex offering professionally managed investment portfolios (the "Dynamic Funds" or the "Funds").

H-Class Shares of the Funds are sold principally to clients of professional money managers ("financial intermediaries") and to investors who take part in certain strategic and tactical asset allocation investment programs. Investors may exchange shares of the Funds through the Rydex web site - www.rydexinvestments.com - and over the phone.

RISKS OF INVESTING IN THE FUNDS

The value of the Funds may fluctuate. In addition, Fund shares:

- o MAY DECLINE IN VALUE, AND YOU MAY LOSE MONEY
- o ARE NOT FEDERALLY INSURED

- o ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY
- o ARE NOT BANK DEPOSITS
- o ARE NOT GUARANTEED TO ACHIEVE THEIR OBJECTIVES

2

TITAN 500 FUND (RYTNX)

FUND OBJECTIVE

The Titan 500 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Titan 500 Master Fund, a separate series of the Trust with an identical investment objective.

The Titan 500 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Titan 500 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Titan 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Titan 500 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Titan 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 3

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes down.

4

PERFORMANCE

The bar chart and table show the performance of the Titan 500 Fund H-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TITAN 500 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-33.93%	-46.60%	53.12%	17.58%

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 31.25% (QUARTER ENDED JUNE 30, 2003) AND THE LOWEST RETURN FOR A QUARTER WAS -35.04% (QUARTER ENDED SEPTEMBER 30, 2002.)

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

H-CLASS SHARES

<TABLE>

<CAPTION>

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	S&P 500 INDEX (3)
<S>	<C>	<C>	<C>	<C>
PAST ONE YEAR	17.58%	17.58%	11.43%	10.89%
SINCE INCEPTION (05/19/00)	-13.61%	-13.62%	-11.05%	-1.67%

</TABLE>

- (1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.
- (2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.
- (3) THE S&P 500 (R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 5

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class Shares of the Titan 500 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%
OTHER EXPENSES	0.55%
TOTAL ANNUAL FUND OPERATING EXPENSES	1.70%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE TITAN 500 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

TITAN 500 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
H- CLASS	\$179	\$553	\$952	\$2067

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TEMPEST 500 FUND (RYTPX)

FUND OBJECTIVE

The Tempest 500 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to

increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Tempest 500 Master Fund, a separate series of the Trust with an identical investment objective.

The Tempest 500 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Tempest 500 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Tempest 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Tempest 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 7

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with

the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes up.

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PERFORMANCE

The bar chart and table show the performance of the Tempest 500 Fund H-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TEMPEST 500 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
20.81%	37.48%	-43.54%	-20.00%

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 34.51% (QUARTER ENDED SEPTEMBER 30, 2001) AND THE LOWEST RETURN FOR A QUARTER WAS -26.32% (QUARTER ENDED JUNE 30, 2003.)

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

H-CLASS SHARES

<TABLE>

<CAPTION>

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	S&P 500 INDEX (3)
<S>	<C>	<C>	<C>	<C>
PAST ONE YEAR	-20.00%	-20.00%	-13.00%	10.89%
SINCE INCEPTION (05/19/00)	-3.34%	-3.46%	-2.86%	-1.67%

</TABLE>

- THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.
- AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER

CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.

- (3) THE S&P 500(R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 9

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class Shares of the Tempest 500 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%
OTHER EXPENSES	0.55%
TOTAL ANNUAL FUND OPERATING EXPENSES	1.70%

(1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.

(2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE TEMPEST 500 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

TEMPEST 500 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
H- CLASS	\$179	\$553	\$952	\$2067

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VELOCITY 100 FUND (RYVYX)

FUND OBJECTIVE

The Velocity 100 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Nasdaq 100 Index(R) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Velocity 100 Master Fund, a separate series of the Trust with an identical investment objective.

The Velocity 100 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock

indices. Equity index swaps, futures and options contracts enable the Velocity 100 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Velocity 100 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Velocity 100 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Velocity 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 11

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes down.

PERFORMANCE

The bar chart and table show the performance of the Velocity 100 Fund H-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VELOCITY 100 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-69.38%	-68.47%	100.09%	14.69%

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 72.09% (QUARTER ENDED DECEMBER 31, 2001) AND THE LOWEST RETURN FOR A QUARTER WAS -62.24% (QUARTER ENDED SEPTEMBER 30, 2001.)

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

H-CLASS SHARES

<TABLE>
<CAPTION>

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	NASDAQ 100 INDEX (3)
PAST ONE YEAR	14.69%	14.69%	9.55%	10.43%
SINCE INCEPTION (05/24/00)	-40.32%	40.41%	-27.43%	-13.61%

</TABLE>

- (1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.
- (2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.
- (3) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 13

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class shares of the Velocity 100 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%
OTHER EXPENSES	0.52%
TOTAL ANNUAL FUND OPERATING EXPENSES	1.67%

(1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.

(2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE VELOCITY 100 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

VELOCITY 100 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
H- CLASS	\$175	\$543	\$936	\$2033

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VENTURE 100 FUND (RYVNX)

FUND OBJECTIVE

The Venture 100 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Nasdaq 100 Index(R) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Venture 100 Master Fund, a separate series of the Trust with an identical investment objective.

The Venture 100 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Venture 100 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Venture 100 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Venture 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs

may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

PROSPECTUS 15

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes up.

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PERFORMANCE

The bar chart and table show the performance of the Venture 100 Fund H-Class both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VENTURE 100 FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-----	-----	-----	-----
-5.00%	50.92%	-62.92%	-24.60%

DURING THE PERIOD SHOWN IN THE BAR CHART, THE HIGHEST RETURN FOR A QUARTER WAS 116.97% (QUARTER ENDED SEPTEMBER 30, 2001) AND THE LOWEST RETURN FOR A QUARTER WAS -51.13% (QUARTER ENDED DECEMBER 31, 2001.)

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

H-CLASS SHARES

<TABLE>
<CAPTION>

	FUND RETURN BEFORE TAXES	FUND RETURN AFTER TAXES ON DISTRIBUTIONS H-CLASS (2)	FUND RETURN AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES (2)	NASDAQ 100 INDEX (3)
<S>	<C>	<C>	<C>	<C>
PAST ONE YEAR	-24.60%	-24.60%	-15.99%	10.43%
SINCE INCEPTION (05/23/00)	-17.30%	-17.57%	-13.84%	-12.65%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) AFTER-TAX RETURNS ARE CALCULATED USING THE HIGHEST HISTORICAL FEDERAL INCOME AND CAPITAL GAINS TAX RATES, AND DO NOT REFLECT THE IMPACT OF STATE AND LOCAL TAXES. ACTUAL AFTER-TAX RETURNS DEPEND ON THE INVESTOR'S TAX SITUATION AND MAY DIFFER FROM THOSE SHOWN. FUND RETURNS AFTER TAX ON DISTRIBUTIONS ASSUME A CONTINUED INVESTMENT IN THE FUND AND SHOWS THE EFFECT OF TAXES ON FUND DISTRIBUTIONS. FUND RETURNS AFTER TAXES ON DISTRIBUTIONS AND SALE OF FUND SHARES ASSUME ALL SHARES WERE REDEEMED AT THE END OF EACH MEASUREMENT PERIOD, AND SHOWS THE EFFECT OF ANY TAXABLE GAIN (OR OFFSETTING LOSS) ON REDEMPTION, AS WELL AS THE EFFECTS OF TAXES ON FUND DISTRIBUTIONS. AFTER-TAX RETURNS ARE NOT RELEVANT TO INVESTORS WHO HOLD THEIR FUND SHARES THROUGH TAX-DEFERRED ARRANGEMENTS SUCH AS 401(K) PLANS OR INDIVIDUAL RETIREMENT ACCOUNTS. AFTER-TAX RETURNS FOR OTHER CLASSES OF SHARES WILL DIFFER FROM THOSE SHOWN ABOVE.

(3) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 17

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class Shares of the Venture 100 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%
OTHER EXPENSES	0.55%
TOTAL ANNUAL FUND OPERATING EXPENSES	1.70%

(1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.

(2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE VENTURE 100 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

VENTURE 100 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
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LONG DYNAMIC DOW 30 FUND (RYCVX)

FUND OBJECTIVE

The Long Dynamic Dow 30 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objectives, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the value of the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Long Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Long Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Long Dynamic Dow 30 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Long Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Long Dynamic Dow 30 Master Fund also may purchase equity securities.

Under normal circumstances, the Long Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform similarly to those of the underlying index. This is a non-fundamental policy that can be changed by the Long Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Long Dynamic Dow 30 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation

programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its

investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average (SM) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average (SM) goes down.

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PERFORMANCE

The Long Dynamic Dow 30 Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class Shares of the Long Dynamic Dow 30 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2) (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%
OTHER EXPENSES	0.50%
TOTAL ANNUAL FUND OPERATING EXPENSES	1.65%

(1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.

(2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE LONG DYNAMIC DOW 30 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period

indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

LONG DYNAMIC DOW 30 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
H- CLASS	\$173	\$537	\$925	\$2011

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INVERSE DYNAMIC DOW 30 FUND (RYCWX)

FUND OBJECTIVE

The Inverse Dynamic Dow 30 Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Inverse Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Inverse Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Inverse Dynamic Dow 30 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Inverse Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

Under normal circumstances, the Inverse Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform opposite to those of the underlying index. This is a non-fundamental policy that can be changed by the Inverse Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Inverse Dynamic Dow 30 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these

programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

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INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average (SM) to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average (SM) goes up.

PERFORMANCE

The Inverse Dynamic Dow 30 Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold H-Class Shares of the Inverse Dynamic Dow 30 Fund.

SHAREHOLDER FEES(1)	NONE
ANNUAL FUND OPERATING EXPENSES(2)	
(EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	0.25%

OTHER EXPENSES 0.52%
TOTAL ANNUAL FUND OPERATING EXPENSES 1.67%

- (1) THE FUND MAY IMPOSE A WIRE TRANSFER CHARGE OF \$15 ON CERTAIN REDEMPTIONS UNDER \$5,000.
- (2) THIS TABLE AND THE EXAMPLE INCLUDE BOTH THE FEES PAID BY THE FUND AND ITS SHARE OF THE FEES OF THE INVERSE DYNAMIC DOW 30 MASTER FUND.

EXAMPLE

This Example is intended to help you compare the cost of investing in the H-Class Shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

INVERSE DYNAMIC DOW 30 FUND	1 YEAR	3 YEARS	5 YEARS	10 YEARS
H- CLASS	\$175	\$543	\$936	\$2033

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MORE INFORMATION ABOUT FUND

INVESTMENTS AND RISK

Each Dynamic Fund's objective is to provide investment results that match the performance measured on a daily basis of a specific benchmark. The investment objective of each Dynamic Fund is non-fundamental and may be changed without shareholder approval. The current benchmark used by each Dynamic Fund is set forth below:

FUND	BENCHMARK
TITAN 500 FUND	200% OF THE PERFORMANCE OF THE S&P 500 (R) INDEX
TEMPEST 500 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE S&P 500 (R) INDEX
VELOCITY 100 FUND	200% OF THE PERFORMANCE OF THE NASDAQ 100 INDEX (R)
VENTURE 100 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE NASDAQ 100 INDEX (R)
LONG DYNAMIC DOW 30 FUND	200% OF THE PERFORMANCE OF THE DOW JONES INDUSTRIAL AVERAGE (SM)
INVERSE DYNAMIC DOW 30 FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE DOW JONES INDUSTRIAL AVERAGE (SM)

A BRIEF GUIDE TO THE BENCHMARKS

THE S&P 500 (R) INDEX. The S&P 500 (R) Index is a capitalization-weighted index composed of 500 common stocks, which are chosen by the Standard & Poor's Corporation ("S&P") on a statistical basis.

THE NASDAQ 100 INDEX (R). The Nasdaq 100 Index (R) is a modified capitalization weighted index composed of 100 of the largest non-financial companies listed on The Nasdaq Stock Market, Inc. ("Nasdaq").

THE DOW JONES INDUSTRIAL AVERAGE INDEX (SM). The Dow Jones Industrial Average Index (SM) is a price-weighted index of 30 "blue-chip" U.S. stocks. The index is published by Dow Jones & Company, Inc. and the component stocks are selected by editors of the Wall Street Journal. The components tend to be market leaders in their respective industries and their stocks are typically widely held by individuals and institutional investors.

It is important to understand the effects of compounding when investing in any mutual fund, especially funds which use leverage as part of their investment strategy. The following simple examples provide an illustration:

EXAMPLE A: Assume you invest \$100 in Fund A, a typical index fund that seeks to match the performance of its underlying index. If the index increases 10% on day one, the value of the your shares in Fund A would be expected to increase \$10 (10% of \$100) to \$110. The next day, if the index decreases 10%, the value of your shares in Fund A would be expected to decrease \$11 (10% of \$110) to \$99.

EXAMPLE B: Assume you invested \$100 in Fund B, a fund that seeks to return 200% of the performance of the same index. On day one, the value of your shares in Fund B would be expected to increase \$20 (20% of \$100) to \$120. On day two, however, the value of your shares in the leveraged fund would be expected to decrease \$24 (20% of \$120) to \$96.

Because of the effect of compounding, in each case the value of your investment declined even though the index went up 10% on day one and down 10% on day two. However, the effect of compounding was more pronounced when combined with leverage (Example B). In addition, because of the effect of compounding, the performance of a leveraged fund is more likely to match the performance of its underlying index on a daily basis than over an extended period of time.

MASTER-FEEDER INVESTMENT STRUCTURE

As discussed in their respective Fund Overviews, the Funds pursue their respective investment objectives indirectly by investing through what is referred to as a "master-feeder arrangement." Under the master-feeder arrangement, a Fund's investment portfolio is comprised solely of shares of a "master fund," which is a separate mutual fund that has an identical investment objective, e.g., the Titan 500 Fund acts as a "feeder fund," holding shares of its master fund as its only investment. As a result, the Fund has an indirect interest in all of the securities owned by the master fund. Because of this indirect interest, the Fund's investment returns should be the same as those of the master fund, adjusted for Fund expenses.

Rydex Investments (the "Advisor") manages the investment portfolios of each Fund and its corresponding master fund. Under the master-feeder arrangement, investment advisory fees and custody fees are charged at the master-fund level, and other administrative costs are charged at the feeder fund level. This arrangement avoids a "layering" of fees, e.g., each Fund's Total Annual Operating Expenses have not increased as a result of investing through a master-feeder arrangement. In addition, the Advisor may discontinue investing through the master-feeder arrangement and manage the Funds directly if the Trust's Board of Trustees determines that doing so is in the best interests of shareholders.

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ADVISOR'S PORTFOLIO INVESTMENT STRATEGY IN MANAGING THE DYNAMIC MASTER FUNDS

In managing the Dynamic Master Funds, the Advisor uses a "passive" investment strategy to manage each Fund's portfolio, meaning that the Advisor does not attempt to select securities based on their individual potential to perform better than the market. The Advisor's primary objective is to match the performance of each Fund's benchmark as closely as possible on a daily basis. The Advisor uses quantitative analysis techniques to structure each Fund to obtain the highest correlation to its particular benchmark. The Advisor does not engage in temporary defensive investing, keeping each Fund's assets fully invested in all market environments. The Advisor monitors each Fund on an ongoing basis, and makes adjustments to its portfolio, as necessary, to minimize tracking error and to maximize liquidity.

The Advisor pursues the Dynamic Funds' investment objectives by regularly utilizing leveraged instruments, such as futures contracts and options on securities, futures contracts, and stock indices. In addition, the Advisor will regularly utilize short selling techniques designed to help the performance to inversely correlate to 200% of the performance of the relevant benchmark.

OTHER INVESTMENT PRACTICES AND STRATEGIES

Please see the statement of additional information (the "SAI") for a more complete list of portfolio investment strategies, permitted investments and related risks.

WHO MAY WANT TO INVEST IN THE RYDEX DYNAMIC FUNDS

The Dynamic Funds may be appropriate for investors who believe that over the long term, the value of a particular index will increase or decrease, and that

by investing with the objective of doubling the index's daily return they will achieve superior results over time. Investors should understand that since each Fund seeks to double the daily performance of the index underlying its benchmark, it should have twice the daily volatility of a conventional index fund. This increases the potential risk of loss.

The Dynamic Funds may be appropriate for investors who use a portfolio investment strategy that relies on frequent buying, selling, or exchanging among stock mutual funds, since the Funds do not limit how often an investor may exchange among Funds. In addition, the Funds do not impose any transaction fees when investors exchange shares. The Funds provide multiple opportunities for investors to capitalize on market trends and to capture market momentum with intra-day Fund share pricing and trading. Dynamic asset allocators may also utilize intra-day trading as a defensive strategy to react to market movements before investments are adversely affected.

The Dynamic Funds may also be appropriate for investors who use an investment strategy that involves the strategic allocation of investments among different asset classes. By utilizing consistently applied leverage, the Funds' portfolio investment strategy can create alternative investment opportunities for strategic asset allocators who seek to match the S&P 500's, Nasdaq 100's

PROSPECTUS 27

or Dow Jones's daily return because less capital is needed to achieve a desired exposure. For example, an investor might invest \$50,000 in a conventional S&P 500(R) Index fund. Alternatively, that same investor could invest half that amount - \$25,000 - in the Titan 500 Fund and target the same daily return. This increased cash position could then be used for a tactical overlay, such as the introduction of an additional asset class or an undervalued market sector.

PRINCIPAL RISKS OF INVESTING IN THE FUNDS

As indicated below, the Funds (which includes their respective "master fund") are subject to a number of risks that may affect the value of the Funds' shares.

EQUITY RISK (ALL FUNDS) - The Funds invest primarily in instruments that attempt to track the price movement of equity indices as well as equity securities, including common stocks. Investments in equity securities and equity derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which the Funds invest will cause the net asset value of each of the Funds to fluctuate. Historically, the equity markets have moved in cycles, and the value of each of the Fund's equity securities and equity derivatives may fluctuate drastically from day-to-day. This price volatility is the principal risk of investing in equity securities. Because of their link to the equity markets and use of leverage, an investment in the Funds may be more suitable for investors who can bear the risk of short-term principal fluctuations, which at times may be significant.

NON-DIVERSIFICATION RISK (ALL FUNDS) - Since each Fund is non-diversified, each Fund may invest in the securities of a limited number of issuers. To the extent that a Fund invests a significant percentage of its assets in a limited number of issuers, the Fund is subject to the risks of investing in those few issuers, and may be more susceptible to a single adverse economic or regulatory occurrence.

INDUSTRY CONCENTRATION RISK (ALL FUNDS) - None of the Funds will invest 25% or more of the value of the Fund's total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries; except that, to the extent the index underlying a Fund's benchmark is concentrated in a particular industry, a Fund will necessarily be concentrated in that industry. Currently, the index underlying the Velocity 100 Fund's and the Venture 100 Fund's benchmark - the Nasdaq 100 Index(R) - is concentrated in technology companies. The risk of concentrating Fund investments in a limited number of issuers conducting business in the same industry or group of industries is that a Fund will be more susceptible to the risks associated with that industry or group of industries than a fund that does not concentrate its investments.

TRACKING ERROR RISK (ALL FUNDS) - While the Funds do not expect returns to deviate significantly from their respective benchmarks on a daily basis, certain factors may affect their ability to achieve close correlation. These factors may

include Fund expenses, imperfect correlation between the Funds' investments and

those of their benchmarks, rounding of share prices, changes to the benchmark, regulatory policies, and leverage. The cumulative effect of these factors may over time cause the Funds' returns to deviate from their respective benchmarks on an aggregate basis. The magnitude of any tracking error may be affected by a higher portfolio turnover rate.

TRADING HALT RISK (ALL FUNDS) - The Funds typically will hold short-term options and futures contracts. The major exchanges on which these contracts are traded, such as the Chicago Mercantile Exchange ("CME"), have established limits on how much an option or futures contract may decline over various time periods within a day. If an option or futures contract's price declines more than the established limits, trading on the exchange is halted on that instrument. If a trading halt occurs, the Funds may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Funds price their shares may limit the Funds' ability to use leverage and may prevent the Funds from achieving their investment objectives. In such an event, the Funds also may be required to use a "fair-value" method to price their outstanding contracts.

FUTURES AND OPTIONS RISK (ALL FUNDS) - The Funds may invest a percentage of their assets in futures and options contracts. The Funds may use futures contracts and related options for bona fide hedging purposes to offset changes in the value of securities held or expected to be acquired. They may also be used to gain exposure to a particular market or instrument, to create a synthetic money market position, and for certain other tax-related purposes. The Funds will only enter into futures contracts traded on a national futures exchange or board of trade. Futures and options contracts are described in more detail below:

FUTURES CONTRACTS - Futures contracts and options on futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. An option on a futures contract gives the purchaser the right, in exchange for a premium, to assume a position in a futures contract at a specified exercise price during the term of the option. Index futures are futures contracts for various indices that are traded on registered securities exchanges.

OPTIONS - The buyer of an option acquires the right to buy (a call option) or sell (a put option) a certain quantity of a security (the underlying security) or instrument at a certain price up to a specified point in time. The seller or writer of an option is obligated to sell (a call option) or buy (a put option) the underlying security. When writing (selling) call options on securities, the Funds may cover their positions by owning the underlying security on which the option is written or by owning a call option on the underlying security. Alternatively, the Funds may cover their position by maintaining in a segregated account cash or liquid securities equal in value to the exercise price of the call option written by the Funds.

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The risks associated with the Funds' use of futures and options contracts include:

- o The Funds experiencing losses over certain ranges in the market that exceed losses experienced by the funds that do not use futures contracts and options.
- o There may be an imperfect correlation between the changes in market value of the securities held by Funds and the prices of futures and options on futures.
- o Although the Funds will only purchase exchange-traded futures, due to market conditions there may not always be a liquid secondary market for a futures contract. As a result, the Funds may be unable to close out their futures contracts at a time which is advantageous.
- o Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts and options.
- o Because option premiums paid or received by the Funds are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in securities.

EARLY CLOSING RISK (ALL FUNDS) - The normal close of trading of securities listed on Nasdaq and the New York Stock Exchange ("NYSE") is 4:00 p.m., Eastern Time. Unanticipated early closings may result in a Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when one or more of the Funds needs to execute a high volume of securities trades late in a

trading day, a Fund might incur substantial trading losses.

SHORT SALES RISK (TEMPEST 500, VENTURE 100 AND INVERSE DYNAMIC DOW 30 FUNDS) - Short sales are transactions in which a Fund sells a security it does not own. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be higher or lower than the price at which the security was sold by the Fund. If the underlying security goes down in price between the time the Fund sells the security and buys it back, the Fund will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the Fund will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Fund must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Fund must pay to the lender of the security. The Fund is also required to segregate other assets on its books to cover its obligation to return the security to the lender which means that those other assets may not be available to meet the Fund's needs for immediate cash or other liquidity. The Fund's investment performance may also suffer if the Fund is required to close out a short position earlier than it had intended. This would occur if the securities lender required the Fund to deliver the securities the Fund borrowed at the

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commencement of the short sale and the Fund was unable to borrow the securities from another securities lender or otherwise obtain the security by other means. In addition, the Fund may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the Fund's open short positions. These expenses negatively impact the performance of the Fund. For example, when a Fund short sells an interest-bearing security, such as a bond, it is obligated to pay the interest on the security it has sold. This cost is partially offset by the interest earned by the Fund on the cash generated by the short sale. To the extent that the interest rate that the Fund is obligated to pay is greater than the interest earned by the Fund on investments, the performance of the Fund will be negatively impacted. This type of short sales expense is sometimes referred to as the "negative cost of carry," and will tend to cause a Fund to lose money on a short sale even in instances where the price of the underlying security sold short doesn't change over the duration of the short sale.

SWAP COUNTERPARTY CREDIT RISK (ALL FUNDS) - The Funds may enter into equity index or interest rate swap agreements for purposes of attempting to gain exposure to a particular group of stocks or to an index of stocks without actually purchasing those stocks, or to hedge a position. The Funds will use short-term swap agreements to exchange the returns (or differentials in rates of return) earned or realized in particular predetermined investments or instruments. A Fund will not enter into any swap agreement unless the Advisor believes that the other party to the transaction is creditworthy. The use of equity swaps involves risks that are different from those associated with ordinary portfolio securities transactions. Swap agreements may be considered to be illiquid. A Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

PORTFOLIO HOLDINGS

A description of the Funds' policies and procedures with respect to the disclosure of Fund portfolio securities is available in the SAI.

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INVESTING WITH RYDEX:

SHAREHOLDER INFORMATION

H-Class Shares are offered directly through Rydex shareholder services and also through authorized securities brokers and other financial intermediaries.

OPENING YOUR ACCOUNT

You will need to open a Rydex shareholder account to make share transactions - buy, sell or exchange shares of the Funds. You can request an account application by calling Rydex shareholder services at 800.820.0888 or 301.296.5406 or simply download an application from the Rydex web site - www.rydexinvestments.com. For more information on opening an account, call Rydex

shareholder services at 800.820.0888 or 301.296.5406 or visit www.rydexinvestments.com.

The type of application you will need depends on the type of account you want to open. For example, if you are opening a retirement account, such as an IRA, you will need a different application than you would if you were opening a regular account. When you call Rydex to request an account application, be sure to let the shareholder services representative know what type of account you want to open to ensure that you receive the correct application.

If you open your account through a broker or other financial intermediary, your financial intermediary will ordinarily assist you in completing the necessary application to open your account with Rydex.

MINIMUM AMOUNTS

The minimum initial investment amount and minimum account balance for H-Class Shares are:

- o \$25,000 self-directed accounts (including retirement accounts)
- o \$15,000 for accounts managed by a financial professional

For new IRA accounts to meet H-Class Shares' minimum investment amount requirements, you must transfer an existing IRA (or multiple IRAs) to open an IRA account with Rydex

There are no minimum amounts for subsequent investments in the Funds. Rydex reserves the right to modify its minimum account requirements at any time, with or without prior notice to you.

TIPS TO SUCCESSFULLY COMPLETE YOUR ACCOUNT APPLICATION

- o You must provide each account holder's social security number or tax ID number and date of birth on the application to avoid a delay in processing.
- o Attach the title page and signature page of trust documents when establishing a trust account.
- o When establishing an account for your corporation, partnership or self directed retirement plan, please indicate the correct account type to ensure proper tax reporting, and provide a copy of one of the following documents: registered articles of corporation, government-issued business license, partnership papers, plan documents or other official documentation that verifies the entity and lists the authorized individuals. Failure to provide this documentation may result in a delay in processing your application.

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- o You must provide a street address (Rydex does not accept P.O. Box only addresses). If any joint owner has a different address than the account registration, please indicate what it is on the application.
- o BE SURE TO SIGN THE APPLICATION.

TRANSACTION INFORMATION

This section provides important information about the procedures that you must follow when you buy, sell or exchange shares of the Funds. You may submit transaction orders to buy, sell or exchange Fund shares on any day that the NYSE is open for business (a "Business Day").

CALCULATING NAV

The price at which you buy, sell and exchange shares is the net asset value per share, which is also known as NAV.

Each Fund calculates its NAV by:

- o Taking the current market value of its total assets
- o Subtracting any liabilities

o Dividing that amount by the total number of shares owned by shareholders

The Dynamic Funds calculate NAV twice each Business Day, first in the morning and again in the afternoon. The morning NAV is calculated as of 10:45 a.m., Eastern Time and the afternoon NAV is calculated as of the regularly scheduled close of normal trading on the NYSE (normally, 4:00 p.m., Eastern Time).

If the primary exchange or market where a Fund's securities or other investments trade closes early - such as on days in advance of holidays generally observed by participants in these markets - the Funds may calculate NAV as of the earlier closing time. On days when the exchange or market is scheduled to close early, such as the day before a holiday, the Dynamic Funds will only calculate NAV once at the close of the exchange or market. For more information on these early closings, please call 800.820.0888 or visit the Rydex web site - www.rydexinvestments.com.

In calculating NAV, each Fund generally values its investment portfolio based on the market price of the securities as of the time the Fund determines NAV. If market prices are unavailable or the Funds think that they are unreliable, such as instances where the value of a security has been materially affected by events occurring after the market closes, the Funds price those securities at fair value as determined in good faith using methods approved by the Board of Trustees.

The use of fair valuation in pricing a security involves the consideration of a number of subjective factors and therefore, is susceptible to the unavoidable risk that the valuation may be higher or lower than the price at which the security might actually trade if a reliable market price were readily available.

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TRANSACTION CUT-OFF TIMES

All shareholder transaction orders are processed at the NAV next determined after your transaction order is received in good form by the Funds' transfer agent, distributor, or authorized dealer. The following transaction cut-off times have been established in order to allow the transfer agent appropriate time to report the current day's trading activity to the Funds' Advisor.

METHOD	FUND	MORNING CUT-OFF	AFTERNOON CUT-OFF
By Mail	All Funds	Not Available	Market Close
By Phone	All Funds	10:30 AM Eastern Time	3:45 PM Eastern Time
By Internet	All Funds	10:30 AM Eastern Time	3:55 PM Eastern Time
By Financial Intermediary*	All Funds	10:30 AM Eastern Time	Market Close

* EACH INTERMEDIARY MAY HAVE ITS OWN RULES ABOUT SHARE TRANSACTIONS, AND MAY HAVE DIFFERENT CUT-OFF TIMES FOR PROCESSING YOUR TRANSACTION ORDER.

EARLY TRANSACTION CUT-OFF TIMES

On any day that a Fund calculates NAV earlier than normal, as described above, Rydex reserves the right to advance the time on that day by which shareholder transaction orders must be received by the transfer agent.

TRANSACTIONS THROUGH YOUR FINANCIAL INTERMEDIARY

If you opened your account through a financial intermediary, you will ordinarily submit your transaction orders through that financial intermediary. Your intermediary is responsible for ensuring that your transaction order contains all of the necessary information and promptly transmitting your order to the Funds. Upon acceptance by your intermediary or securities dealer, your order will be processed at the Fund's next determined NAV. Intermediaries may charge fees for the services they provide to you in connection with processing your transaction order or maintaining your account with them. Each intermediary also may have its own rules about share transactions, limits on the number of share transactions you are permitted to make in a given time period, and may have different cut-off times for processing your transaction order. For more information about your financial intermediary's rules and procedures, you should contact your intermediary directly.

BUYING FUND SHARES

The Funds offer their shares continuously and investors may submit purchase orders to buy shares on any Business Day. However, Rydex reserves the right to reject or refuse, in whole or in part, any purchase order for Fund shares. Purchase orders, like any other share transaction, are subject to the Funds' transaction cut-off times.

PURCHASE PROCEDURES

The Funds offer you the option to send purchase orders by mail, fax or internet and send purchase proceeds by check, wire transfer or ACH. The Funds do not accept cash or cash equivalents, such as travelers' checks, money orders, bearer bonds, government checks, third-party checks or credit card convenience checks. Cashiers checks, bank checks, official checks and treasurers' checks under \$10,000 are also not accepted. You may buy shares and send your purchase proceeds by any of the methods described below:

BY MAIL

IRA AND OTHER RETIREMENT ACCOUNTS REQUIRE ADDITIONAL PAPERWORK.

CALL RYDEX SHAREHOLDER SERVICES TO REQUEST A RETIREMENT ACCOUNT INVESTOR APPLICATION KIT.

INITIAL PURCHASE	SUBSEQUENT PURCHASES
Complete the account application that corresponds to the type of account you are opening.	Complete the Rydex investment slip included with your quarterly statement or send written purchase instructions that include:
o MAKE SURE TO DESIGNATE WHICH RYDEX FUND(S) YOU WANT TO PURCHASE.	o YOUR NAME
o MAKE SURE YOUR INVESTMENT MEETS THE ACCOUNT MINIMUM.	o YOUR SHAREHOLDER ACCOUNT NUMBER
	o WHICH RYDEX FUND(S) YOU WANT TO PURCHASE.

Make your check payable to RYDEX FUNDS.

Your check must be drawn on a U.S. bank and payable in U.S. Dollars.

Include the name of the Rydex Fund(s) you want to purchase on your check.

IF YOU DO NOT SPECIFY WHICH RYDEX FUND(S) YOU WANT TO PURCHASE, YOUR INVESTMENT WILL BE CREDITED TO THE RYDEX U.S. GOVERNMENT MONEY MARKET FUND, WHICH IS OFFERED IN A SEPARATE PROSPECTUS.

Mail your application and check to:

Mail your written purchase instructions and check to:

MAILING ADDRESS:

Rydex Funds
Attn: Ops. Dept.
9601 Blackwell Road, Suite 500
Rockville, MD 20850

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BY WIRE

RYDEX FAX NUMBER: 301.296.5103

RYDEX SHAREHOLDER SERVICES PHONE NUMBER: 800.820.0888 OR 301.296.5406

INITIAL PURCHASE	SUBSEQUENT PURCHASES
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Fund shares at the next determined NAV after the transfer agent processes and the Fund receives your redemption order. Redemption orders, like any other share transaction, are subject to the Funds' transaction cut-off times.

The Funds may suspend your right to redeem your shares during times when trading on the NYSE is suspended or restricted, or otherwise as permitted by the SEC. The Funds reserve the right to pay part of your redemption proceeds in liquid securities with a market value equal to the redemption price.

REDEMPTION PROCEDURES

You will ordinarily submit your transaction order through your financial intermediary or other securities dealers through which you opened your shareholder account. The Funds offer you the option to send redemption orders by:

MAIL	Rydex Funds Attn: Ops. Dept. 9601 Blackwell Road, Suite 500 Rockville, MD 20850
FAX	301.296.5103 If you send your redemption order by fax, you should call Rydex shareholder services at 800.820.0888 or 301.296.5406 to verify that your fax was received.
TELEPHONE	800.820.0888 or 301.296.5406

PROSPECTUS 37

Whether you transmit your redemption order by mail, fax or telephone, you must include the following information in your redemption order:

- o your name
- o your shareholder account number
- o Fund name(s)
- o dollar amount or number of shares you would like to sell
- o whether you want your sale proceeds sent to you by check, wire or ACH
- o signature of account owner(s) (not required for telephone redemptions)

You may only place a redemption order if you are the registered owner of the account or the registered owner has given you written authorization to trade the account. You will receive a confirmation number for your redemption. Please retain it for your records.

REDEMPTIONS FROM QUALIFIED RETIREMENT ACCOUNTS

Redeeming shares that you hold through a tax-qualified retirement account may have adverse tax consequences to you. You should consult your tax adviser before redeeming shares and making distributions from your tax qualified account. All redemptions from tax-qualified retirement accounts must be in writing and must specify whether Rydex should withhold taxes from your redemption proceeds.

RECEIVING YOUR REDEMPTION PROCEEDS

Your redemption proceeds normally will be sent within five Business Days of the transfer agent receiving your request. For redemption orders that settle on federal bank holidays, your redemption proceeds will be wired on the next Business Day following the holiday. FOR INVESTMENTS MADE BY CHECK OR ACH (NOT WIRE PURCHASES), PAYMENT OF REDEMPTION PROCEEDS MAY BE DELAYED UNTIL THE TRANSFER AGENT IS REASONABLY SATISFIED THAT YOUR CHECK HAS CLEARED. IT MAY TAKE UP TO 15 DAYS FOR YOUR CHECK TO CLEAR.

All redemptions will be mailed to your address of record, sent electronically via ACH or wired to your bank account of record. You may request overnight mail service for an additional fee. If you request payment of redemption proceeds to a third party or to a location other than your address of record or bank account of record, your redemption request must be in writing and must include a signature guarantee.

SIGNATURE GUARANTEES

Signature guarantees help protect you and your account against fraud. You can obtain a signature guarantee at most banks and financial intermediaries. A notary public cannot provide a signature guarantee. You may not use fax to transmit a signature guarantee to the Funds.

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LOW BALANCE ACCOUNTS

Any request for a redemption when your account balance is below the currently applicable minimum investment amount, or would be below that minimum as a result of the redemption, will be treated as a request for the complete redemption of your account, unless a deposit is made within 30 days of the date of the request that will bring the account balance up to meet the minimum investment amount. In addition, to offset the administrative expense of servicing small accounts, the Funds may impose an administrative fee of \$15 per year during periods where your account balance falls below the account minimum requirements for any reason.

The Funds reserve the right to close your account in cases of abusive, harassing or threatening conduct or suspected fraudulent or illegal activity. This action may be taken when, in the sole discretion of fund management, it is deemed to be in the best interest of the Funds or in cases where the Funds are requested or compelled to do so by governmental or law enforcement authority. If your account is closed at the request of governmental or law enforcement authority, you may not receive proceeds of the redemption if the Funds are required to withhold such proceeds.

EXCHANGING FUND SHARES

Unlike most mutual funds, the Funds offer unlimited exchange privileges with no minimum holding periods or transaction fees. An exchange is when you sell shares of one Fund and use the proceeds from that sale to purchase shares of another Fund. Investors may make exchanges on any Business Day of H-Class Shares of any Fund for H-Class, Investor Class or Advisor Class Shares of any other Fund, on the basis of the respective net asset values of the shares involved. Exchange requests, like any other share transaction, are subject to the Funds' transaction cut-off times. The exchange privilege may be modified or discontinued at any time.

EXCHANGE PROCEDURES

The Funds offer you the option to send exchange requests by:

MAIL Rydex Funds
 Attn: Ops. Dept.
 9601 Blackwell Road, Suite 500
 Rockville, MD 20850

FAX 301.296.5103
 If you send your exchange request by fax, you should call
 Rydex shareholder services at 800.820.0888 to verify that
 your fax was received.

TELEPHONE 800.820.0888 OR 301.296.5406

INTERNET Follow the directions on the Rydex web site -
 www.rydexinvestments.com.

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Whether you transmit your exchange request by mail, fax, telephone or internet, you must include the following information in your exchange request:

- o your name
- o your shareholder account number
- o Fund name(s) you are exchanging out of (selling) and Fund name(s) you are exchanging in to (buying)
- o dollar amount, number of shares or percentage of Fund position involved in the exchange
- o signature of account owner(s) (not required for telephone or internet exchanges)

You may only place exchange orders if you are the registered owner of the account or the registered owner has given you written authorization to trade the account. You will receive a confirmation number for your exchange. Please retain it for your records.

MINIMUM EXCHANGE AMOUNTS

The minimum amount for an exchange is either \$1,000 or 100% of the Fund position from which the exchange is coming, whichever is less. If you are exchanging the minimum amount, you may not split the proceeds between multiple Rydex Funds. If you place exchange transactions in shares or in percentages, the minimum exchange amount still applies. This minimum may be waived for accounts that are part of an asset allocation strategy.

EXCHANGES WITH OTHER RYDEX FUNDS

Investors may make exchanges on any Business Day of H-Class Shares of any Dynamic Fund for Investor, Advisor or H-Class Shares of any Rydex Fund not offered in this Prospectus. While most Rydex Funds offer unlimited exchange privileges with no minimum holding periods or transaction fees, the Rydex Strategic Funds do not allow unlimited trading. If you are contemplating an exchange for shares of any Rydex Fund not offered in this Prospectus, you should obtain and review that Fund's current prospectus before making the exchange. You can obtain a prospectus for any Rydex Fund not described in this Prospectus by calling 800.820.0888 or 301.296.5406 or visiting the Rydex web site at www.rydexinvestments.com.

RYDEX ACCOUNT POLICIES

SHAREHOLDER IDENTIFICATION AND VERIFICATION

Federal regulations may require the Funds to obtain your name, your date of birth (for a natural person), your residential street address or principal place of business and your Social Security Number, Employer Identification Number or other government issued identification when you open an account. Additional information may be required in certain circumstances or to open corporate accounts or other entity. The Funds may use this information to attempt to verify your identity. The Funds may not be able to establish an account if the necessary information is not received. The Funds may also

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place limits on account transactions while it is in the process of attempting to verify your identity. Additionally, if the Funds are unable to verify your identity after your account is established, the Funds may be required to redeem your shares and close your account.

Customer identification and verification is part of the Funds' overall obligation to deter money laundering under federal law. The Funds have adopted an anti-money laundering compliance program designed to prevent the Funds from being used for money laundering or the financing of terrorist activities. In this regard, the Funds reserve the right to (i) refuse, cancel or rescind any purchase or exchange order, (ii) freeze any account and/or suspend account services or (iii) involuntarily close your account in cases of threatening conduct or suspected fraudulent or illegal activity. These actions will be taken when, in the sole discretion of Fund management, they are deemed to be in the best interest of the Funds or in cases when the Funds are requested or compelled to do so by governmental or law enforcement authority. If your account is closed at the request of governmental or law enforcement authority, you may not receive proceeds of the redemption if the Funds are required to withhold such proceeds.

CHANGES TO YOUR ACCOUNT

For information on what is required to make changes and/or additions to your account, please visit the Rydex web site at www.rydexinvestments.com or call 800.820.0888 or 301.296.5406. If you own shares that are registered in your intermediary's name, and you want to transfer the registration to another intermediary or want the shares registered in your name, then you should contact your intermediary for instructions on how to make this change.

TRANSACTIONS OVER TELEPHONE OR INTERNET

Internet and telephone transactions are extremely convenient, but are not risk free. To ensure that your internet and telephone transactions are safe, secure, and as risk-free as possible, the Rydex Funds have instituted certain safeguards and procedures for determining the identity of web site users (including the use of secure passwords and 128-bit encryption technology) and telephone callers and authenticity of instructions. As a result, neither the Funds nor their transfer agent will be responsible for any loss, liability, cost, or expense for following internet, telephone or wire instructions they reasonably believe to be genuine. If you or your intermediaries make exchange requests by telephone or internet, you will generally bear the risk of any loss. Neither the Funds, nor their transfer agent, are responsible for internet transactions that are not received.

During periods of unusually high market activity or other times, it may be difficult to reach Rydex by telephone or access our internet site. Rydex and its affiliates will not be liable for any losses resulting from a cause over which Rydex or its affiliates does not have direct control, including but not limited to the failure of electronic or mechanical equipment or communication lines, telephone or other interconnect problems (e.g. if you are unable to access your online service provider), input errors on the internet, severe weather,

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earthquakes, floods and strikes or other labor problems. If you are not able to reach Rydex by your regular medium, consider sending written instructions.

STATEMENTS & CONFIRMATIONS

You will receive statements and trade confirmations of your investment transactions. You may elect to suppress trade confirmations by requesting this option in writing or via the internet. You may choose to receive your confirmations and/or statements either by mail or electronically.

EDELIVERY SERVICES

eDelivery offers shareholders the convenience of receiving all communications (such as trade confirmations, statements, prospectuses and shareholder reports, etc.) from the Funds through the web via email notification. For more information on eDelivery, please visit the Rydex web site at www.rydexinvestments.com. The Funds reserve the right to discontinue your eDelivery service if two (2) or more e-mail notices are returned as undeliverable.

SERVICE AND OTHER FEES

Rydex may charge the following administrative fees for services associated with the following:

- o \$15 for wire transfers of redemption proceeds under \$5,000
- o \$50 on purchase checks returned for insufficient funds
- o \$25 to stop payment of a redemption check within 10 Business Days of the settlement date
- o \$15 for standard overnight packages (fee may be higher for special delivery options)
- o \$25 for bounced draft checks or ACH transactions
- o \$15 per year for low balance accounts

Rydex reserves the right to change any of these fees or add additional service fees at any time.

RETIREMENT ACCOUNT FEES

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

FREQUENT PURCHASES AND REDEMPTIONS OF FUND SHARES

Because the Funds are designed and operated to accommodate frequent trading by shareholders and, unlike most mutual funds, offer unlimited exchange privileges with no minimum holding periods or transaction fees, the Funds' Board of Trustees has not adopted policies and procedures designed to prevent market timing or to monitor for frequent purchases and redemptions of Fund shares. A significant portion of the assets of the Funds come from investors who take part in certain strategic and tactical asset allocation programs. The Funds anticipate that investors who take part in these programs may frequently redeem or exchange shares of the Funds, which may cause the Funds to experience high portfolio turnover. Higher

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portfolio turnover may result in the Funds paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Funds may negatively impact a Fund's ability to achieve its investment objective.

DISTRIBUTION AND SHAREHOLDER SERVICES

The Funds have adopted a Distribution Plan and a Shareholder Services Plan with respect to H-Class Shares that allows the Funds to pay distribution and/or services fees to Rydex Distributors, Inc. (the "Distributor") and other firms that provide distribution and/or shareholder services ("Service Providers"). The Funds will pay distribution fees to the Distributor at an annual rate not to exceed .25% of average daily net assets, pursuant to Rule 12b-1 of the Investment Company Act of 1940. If a Service Provider provides shareholder services, the Funds will pay service fees to the Distributor at an annual rate not to exceed .25% of the average daily net assets of a Fund. The Distributor will, in turn, pay the Service Provider for the services it provides. Because these Funds pay these fees out of assets on an ongoing basis, over time these fees may cost you more than other types of sales charges.

OTHER COMPENSATION TO DEALERS

In addition to amounts paid as a sales commission, Rydex Investments, at its expense, currently provides additional compensation to investment dealers. These payments may be made, at the discretion of Rydex Investments, to certain dealers who have sold shares of the Rydex Funds. The level of payments made to dealers in any given year will vary, but may be significant. These payments may provide an incentive for dealers to sell shares of the Rydex Funds and promote the retention of their customer's assets in the Funds. Any payments described above will not change the price paid by investors for the purchase of the applicable Rydex Fund's shares or the amount that any particular Rydex Fund will receive as proceeds from such sales. Rydex Investments determines the cash payments described above in its discretion in response to requests from dealer firms, based on factors it deems relevant. (A number of factors will be considered in determining payments, including the dealer's sales, assets, share class utilized and the quality of the dealer's relationship with Rydex Investments.) Rydex Investments will, on an annual basis, determine the advisability of continuing these payments. Rydex Investments may also pay expenses associated with meetings that facilitate educating financial advisers and shareholders about the Rydex Funds that are conducted by dealers.

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DIVIDENDS AND DISTRIBUTIONS

TIMING OF PAYMENTS

Income dividends, if any, are paid at least annually by each of the Funds. If you own Fund shares on a Fund's record date, you will be entitled to receive the dividend. The Funds may declare and pay dividends on the same date. The Funds make distributions of capital gains, if any, at least annually. The Funds, however, may declare a special capital gains distribution if the Board of

Trustees believe that such a distribution would be in the best interest of the shareholders of a Fund.

DIVIDEND PAYMENT OPTIONS

Dividends and distributions will be paid in the form of additional Fund shares unless you have elected to receive payment in cash. If you did not elect to receive cash payments of dividends and distributions on your application, you must notify the Funds in writing to change your election prior to the date of the next distribution. Your election will become effective for dividends paid after the Funds receive your written notice. To cancel your election, simply send written notice to the Funds. Dividends and distributions with values of \$10 or less may be automatically reinvested.

TAX INFORMATION

The following is a summary of some important tax issues that affect the Funds and their shareholders. The summary is based on current tax laws, which may be changed by legislative, judicial or administrative action. You should not consider this summary to be a detailed explanation of the tax treatment of the Funds, or the tax consequences of an investment in the Funds. MORE INFORMATION ABOUT TAXES IS LOCATED IN THE SAI. YOU ARE URGED TO CONSULT YOUR TAX ADVISER REGARDING SPECIFIC QUESTIONS AS TO FEDERAL, STATE AND LOCAL INCOME TAXES.

TAX STATUS OF EACH FUND

Each Fund is treated as a separate entity for federal tax purposes, and intends to qualify for the special tax treatment afforded regulated investment companies. As long as a Fund qualifies as a regulated investment company, it pays no federal income tax on the earnings it distributes to shareholders.

TAX STATUS OF DISTRIBUTIONS

- o Each Fund will, at least annually, distribute substantially all of its net investment income and net capital gains income.
- o The income dividends and short-term capital gains distributions you receive from the Funds will be taxed as either ordinary income or qualified dividend income. Dividends that are qualified dividend income are eligible for the reduced maximum rate to individuals of 15% (5% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income.
- o Any long-term capital gains distributions you receive from a Fund are taxable as long-term capital gains regardless of how long you have owned your shares. Long-term capital gains are currently taxed at a maximum rate of 15%.

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- o Absent further legislation, the maximum 15% tax rate on qualified dividend income and long-term capital gains will cease to apply to taxable years beginning after December 31, 2008.
- o Dividends and distributions are generally taxable to you whether you receive them in cash or in additional shares.
- o Corporate shareholders may be entitled to a dividends-received deduction for the portion of dividends they receive that are attributable to dividends received by a fund from U.S. corporations, subject to certain limitations.
- o Long-term capital gains distributions will result from gains on the sale or exchange of capital assets held by a Fund for more than one year.
- o Distributions paid in January but declared by a Fund in October, November or December of the previous year may be taxable to you in the previous year.
- o The Fund will inform you of the amount of your ordinary income dividends, qualified dividend income, and capital gain distributions shortly after the close of each calendar year.

TAX STATUS OF SHARE TRANSACTIONS

EACH SALE, EXCHANGE, OR REDEMPTION OF FUND SHARES MAY BE A TAXABLE EVENT TO YOU. For tax purposes, an exchange of Fund shares for shares of a different Rydex Fund is treated the same as a sale. You should consider the tax consequences of any redemption or exchange before making such a request, especially with respect to redemptions if you invest in the Funds through a tax-qualified retirement

plan.

STATE TAX CONSIDERATIONS

A Fund is not liable for any income or franchise tax in Delaware as long as it qualifies as a regulated investment company for federal income tax purposes. In addition to federal taxes, distributions by the Funds and ownership of Fund shares may be subject to state and local taxes. You should consult your tax adviser regarding how state and local tax laws affect your investment in Fund shares.

MANAGEMENT OF THE FUNDS

INVESTMENT ADVISOR

Rydex Investments (the "Advisor"), 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, serves as investment adviser and manager of the Funds. The Advisor has served as the investment adviser of the Rydex Funds since the Funds' inception over 10 years ago, and serves as sub-adviser to several other mutual funds.

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The Advisor makes investment decisions for the assets of the Funds and continuously reviews, supervises, and administers each Fund's investment program. The Board of Trustees of the Trust supervise the Advisor and establish policies that the Advisor must follow in its day-to-day management activities. Under investment advisory agreements between the Trust and the Advisor, the Funds paid the Advisor a fee at an annualized rate for the fiscal year ended December 31, 2004, based on the average daily net assets for each Fund, as set forth below:

FUND	ADVISORY FEE*
TITAN 500 FUND	0.90%
TEMPEST 500 FUND	0.90%
VELOCITY 100 FUND	0.90%
VENTURE 100 FUND	0.90%
LONG DYNAMIC DOW 30 FUND	0.90%
INVERSE DYNAMIC DOW 30 FUND	0.90%

* THE ADVISORY FEES PAID REPRESENT THE FEES PAID AT THE MASTER FUND LEVEL.

The Advisor bears all of its own costs associated with providing these advisory services and the expenses of the Board of Trustees who are affiliated with the Advisor. The Advisor may make payments from its own resources to broker-dealers and other financial institutions in connection with the sale of Fund shares.

PORTFOLIO MANAGEMENT

Each Fund is managed by a team of investment professionals. The following portfolio managers are jointly and primarily responsible for the day-to-day management of the Funds. Each of the following portfolio managers are members of the Rydex Investment Committee and together they share final portfolio management decision making authority.

MICHAEL P. BYRUM, CFA, has been associated with Rydex Investments since the Advisor was founded in 1993. Mr. Byrum was named the President of Rydex Investments in 2004 and has served as Chief Investment Officer of Rydex Investments since 2000. During this time, he has played a key role in the development of the firm's investment strategies and product offerings. As Senior Portfolio Manager, Mr. Byrum was instrumental in the launch of the OTC, Precious Metals, U.S. Government Bond, Ursa and Arktos Funds, and helped to create the Rydex Sector Funds. He was named Vice President of Portfolio for Rydex Investments in 1998, and Executive Vice President in 2000. Prior to joining Rydex, Mr. Byrum worked for Money Management Associates, the investment adviser for Rushmore Funds, Inc. He holds a degree in finance from Miami University of Ohio.

WILLIAM E. FLAIG, JR., joined Rydex in January 2000 to manage the Large-Cap Europe and Large-Cap Japan Funds. Mr. Flaig has been instrumental in the development of derivative strategies for these Funds and for the Rydex Dynamic Funds, which were launched the same year. In 2001, he was promoted to senior portfolio manager and group leader for Rydex's S&P 500-based funds, fixed-income funds and several sector funds. In this capacity, Mr. Flaig helped to advance Rydex's quantitative management abilities and process. In 2003, Mr. Flaig was promoted to director of investments. He is responsible for the investment objectives of all mutual funds and sub-advised accounts and is a member of Rydex's senior management team and its Investment Strategy Committee, which determines investment policy for all Rydex Funds. Mr. Flaig came to Rydex after more than seven years at Bankers Trust, where he was a trader in emerging markets currency derivatives. He holds a degree in management and finance from Purdue University.

JIM KING, CFA, joined Rydex in 1996 and was promoted to assistant portfolio manager in 1997. In 1998, he became a portfolio manager and was promoted in 2001 to senior portfolio manager. Mr. King has served as an interim director of equity trading and investment operations. Currently, Mr. King's team manages all of the Rydex leveraged and inverse funds, as well as Rydex Sector Rotation Fund. Mr. King is a member of Rydex's Investment Strategy Committee, which determines investment policy for all Rydex Funds. Prior to joining Rydex, he worked as a registered representative at DMG Securities. He holds a degree in finance from the University of Maryland.

Additional Information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Funds is available in the SAI.

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FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand the Funds' financial performance for the period of operations of H-Class Shares. Certain information reflects financial results for a single H-Class Share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in an H-Class Share of a Fund (assuming reinvestment of all dividends and

<TABLE>
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	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME (LOSS)+	NET REALIZED AND UNREALIZED GAINS (LOSSES) ON SECURITIES	NET INCREASE (DECREASE) IN NET ASSET VALUE RESULTING FROM OPERATIONS	DISTRIBUTIONS FROM NET INVESTMENT INCOME	DISTRIBUTIONS FROM NET REALIZED CAPITAL GAINS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- H-CLASS						
DECEMBER 31, 2004	\$ 32.43	\$ (.25)	\$ 5.95	\$ 5.70	\$ --	\$ --
December 31, 2003	21.18	(.19)	11.44	11.25	--	--
December 31, 2002++	39.66	(.21)	(18.27)	(18.48)	--	--
December 31, 2001++	60.03	(.24)	(20.13)	(20.37)	--	--
December 31, 2000*++	75.00	1.80	(16.74)	(14.94)	(.03)	--
TEMPEST 500 FUND -- H-CLASS						
DECEMBER 31, 2004	52.66	(.38)	(10.15)	(10.53)	--	--
December 31, 2003	93.27	(.56)	(40.05)	(40.61)	--	--
December 31, 2002	68.39	(.71)	26.33	25.62	--	(.74)
December 31, 2001	56.61	(.27)	12.05	11.78	--	--
December 31, 2000*	50.00	.95	5.98	6.93	(.32)	--
VELOCITY 100 FUND -- H-CLASS						
DECEMBER 31, 2004	19.81	(.15)	3.06	2.91	--	--
December 31, 2003	10.11	(.12)	10.24	10.12	--	(.42)
December 31, 2002	32.06	(.12)	(21.83)	(21.95)	--	--

December 31, 2001	104.70	(.14)	(72.50)	(72.64)	--	--
December 31, 2000*++	250.00	2.30	(147.60)	(145.30)	--	--
VENTURE 100 FUND -- H-CLASS						
DECEMBER 31, 2004	26.59	(.20)	(6.34)	(6.54)	--	--
December 31, 2003	71.71	(.31)	(44.81)	(45.12)	--	--
December 31, 2002	48.87	(.58)	25.41	24.83	--	(1.99)
December 31, 2001	51.44	(.29)	(2.28)	(2.57)	--	--
December 31, 2000*	50.00	1.01	.90	1.91	(.47)	--
LONG DYNAMIC DOW 30 FUND -- H-CLASS						
DECEMBER 31, 2004*	25.00	(.14)	.52	.38	--	--
INVERSE DYNAMIC DOW 30 FUND -- H-CLASS						
DECEMBER 31, 2004*	50.00	(.33)	(4.07)	(4.40)	--	(.19)

</TABLE>

* Since the commencement of operations: May 19, 2000--Titan 500 Fund H-Class and Tempest 500 Fund H-Class; November 27, 2000--Titan 500 Fund C-Class; March 7, 2001--Tempest 500 Fund C-Class; September 1, 2004--Titan 500 Fund A-Class and Tempest 500 Fund A-Class.

** Annualized

*** Portfolio turnover rate is calculated without regard to short-term securities having a maturity of less than one year.

+ Calculated using the average daily shares outstanding for the year.

++ Per share amounts for periods ended december 31, 2000 through December 31, 2002 have been restated to reflect a 1:3 reverse stock split effective April 21, 2003.

@ Expense ratios to average net assets include expenses of the corresponding master portfolio.

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distributions). This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the financial statements and related notes, appears in the Rydex Dynamic Funds' 2004 Annual Report. The 2004 Annual Report is available by telephoning the transfer agent at 800.820.0888 or 301.296.5100. The Annual Report is incorporated by reference in the SAI.

<TABLE>

<CAPTION>

	TOTAL DISTRIBUTIONS	NET INCREASE (DECREASE) IN NET ASSET VALUE	NET ASSET VALUE, END OF PERIOD	TOTAL INVESTMENT RETURN
<S>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- H-CLASS	\$ --	\$ 5.70	\$ 38.13	17.58%
DECEMBER 31, 2004	--	11.25	32.43	53.12%
December 31, 2003	--	(18.48)	21.18	(46.60)%
December 31, 2002++	--	(20.37)	39.66	(33.93)%
December 31, 2001++	(.03)	(14.97)	60.03	(19.92)%
December 31, 2000*++	--			
TEMPEST 500 FUND -- H-CLASS	--	(10.53)	42.13	(20.00)%
DECEMBER 31, 2004	--	(40.61)	52.66	(43.54)%
December 31, 2003	(.74)	24.88	93.27	37.48%
December 31, 2002	--	11.78	68.39	20.81%
December 31, 2001	(.32)	6.61	56.61	13.92%
December 31, 2000*	--			
VELOCITY 100 FUND -- H-CLASS	--	2.91	22.72	14.69%
DECEMBER 31, 2004	(.42)	9.70	19.81	100.09%
December 31, 2003	--	(21.95)	10.11	(68.47)%
December 31, 2002	--	(72.64)	32.06	(69.38)%
December 31, 2001	--	(145.30)	104.70	(58.12)%
December 31, 2000*++	--			
VENTURE 100 FUND -- H-CLASS	--	(6.54)	20.05	(24.60)%
DECEMBER 31, 2004	--	(45.12)	26.59	(62.92)%
December 31, 2003	(1.99)	22.84	71.71	50.92%
December 31, 2002	--	(2.57)	48.87	(5.00)%
December 31, 2001	(.47)	1.44	51.44	3.92%
December 31, 2000*	--			
LONG DYNAMIC DOW 30 FUND -- H-CLASS	--	.38	25.38	1.52%
DECEMBER 31, 2004*	--			
INVERSE DYNAMIC DOW 30 FUND -- H-CLASS	(.19)	(4.59)	45.41	(8.80)%
DECEMBER 31, 2004*	--			

<CAPTION>

RATIOS TO
AVERAGE NET ASSETS:

	GROSS EXPENSES@	NET EXPENSES@	NET INVESTMENT INCOME (LOSS)	PORTFOLIO TURNOVER RATE***	NET ASSETS, END OF PERIOD (000'S OMITTED)
<S>	<C>	<C>	<C>	<C>	<C>
TITAN 500 FUND -- H-CLASS	1.70%	1.70%	(0.77)%	190%	\$352,125
DECEMBER 31, 2004	1.71%	1.71%	(0.77)%	769%	247,115
December 31, 2003	1.75%	1.75%	(0.81)%	1,227%	124,716
December 31, 2002++	1.89%	1.75%	(0.52)%	1,494%	97,786
December 31, 2001++	2.21%**	1.75%**	4.08%**	0%	64,745
December 31, 2000***					
TEMPEST 500 FUND -- H-CLASS	1.70%	1.70%	(0.77)%	0%	224,369
DECEMBER 31, 2004	1.71%	1.71%	(0.77)%	0%	311,796
December 31, 2003	1.75%	1.75%	(0.81)%	0%	340,962
December 31, 2002	1.75%	1.75%	(0.39)%	0%	128,237
December 31, 2001	2.59%**	1.75%**	2.95%**	0%	35,941
December 31, 2000*					
VELOCITY 100 FUND -- H-CLASS	1.67%	1.67%	(0.76)%	154%	663,642
DECEMBER 31, 2004	1.71%	1.71%	(0.77)%	530%	460,652
December 31, 2003	1.75%	1.75%	(0.81)%	298%	162,943
December 31, 2002	1.75%	1.75%	(0.81)%	733%	197,495
December 31, 2001	2.16%**	1.75%**	1.89%**	757%	130,126
December 31, 2000***					
VENTURE 100 FUND -- H-CLASS	1.70%	1.70%	(0.77)%	0%	294,779
DECEMBER 31, 2004	1.71%	1.71%	(0.77)%	0%	323,450
December 31, 2003	1.75%	1.75%	(0.80)%	0%	299,375
December 31, 2002	1.75%	1.75%	(0.50)%	0%	136,249
December 31, 2001	2.41%**	1.75%**	4.87%**	0%	28,808
December 31, 2000*					
LONG DYNAMIC DOW 30 FUND -- H-CLASS		1.65%**	(0.72)%**	796%	37,218
DECEMBER 31, 2004*					
INVERSE DYNAMIC DOW 30 FUND -- H-CLASS		1.67%**	(0.74)%**	0%	17,712
DECEMBER 31, 2004*					

</TABLE>

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YOU MAY OBTAIN A COPY OF THE SAI OR THE ANNUAL OR SEMI-ANNUAL REPORTS, WITHOUT CHARGE BY CALLING 800.820.0888 OR 301.296.5100, VISITING THE RYDEX WEB SITE AT WWW.RYDEXINVESTMENTS.COM, OR WRITING TO RYDEX DYNAMIC FUNDS, AT 9601 BLACKWELL ROAD, SUITE 500, ROCKVILLE, MARYLAND 20850. ADDITIONAL INFORMATION ABOUT THE FUNDS' INVESTMENTS IS AVAILABLE IN THE ANNUAL AND SEMI-ANNUAL REPORTS. ALSO, IN THE FUNDS' ANNUAL REPORTS, YOU WILL FIND A DISCUSSION OF THE MARKET CONDITIONS AND INVESTMENT STRATEGIES THAT SIGNIFICANTLY AFFECTED THE FUNDS' PERFORMANCE DURING ITS LAST FISCAL YEAR.

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THE TRUST'S SEC REGISTRATION NUMBER IS 811-09525.

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PROSPECTUS 53

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800.820.0888
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PROSPECTUS

MAY 1, 2005

TITAN 500 MASTER FUND
TEMPEST 500 MASTER FUND
VELOCITY 100 MASTER FUND
VENTURE 100 MASTER FUND
LONG DYNAMIC DOW 30 MASTER FUND
INVERSE DYNAMIC DOW 30 MASTER FUND

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PROSPECTUS 1

RYDEX DYNAMIC FUNDS

9601 BLACKWELL ROAD, SUITE 500, ROCKVILLE, MARYLAND 20850

800.820.0888 o 301.296.5100 o WWW.RYDEXINVESTMENTS.COM

Rydex Dynamic Funds (the "Trust") is a mutual fund complex offering professionally managed investment portfolios (the "Master Funds" or the "Funds"). Shares of the Master Funds are available solely through "master-feeder arrangements" with the feeder funds of the Trust ("Feeder Funds").

RISKS OF INVESTING IN THE FUNDS

The value of the Funds may fluctuate. In addition, Fund shares:

- o MAY DECLINE IN VALUE, AND YOU MAY LOSE MONEY
- o ARE NOT FEDERALLY INSURED
- o ARE NOT GUARANTEED BY ANY GOVERNMENT AGENCY
- o ARE NOT BANK DEPOSITS
- o ARE NOT GUARANTEED TO ACHIEVE THEIR OBJECTIVES

FUND OBJECTIVE

The Titan 500 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Titan 500 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Titan 500 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Titan 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Titan 500 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Titan 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund

PROSPECTUS 3

to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the

time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes down.

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PERFORMANCE

The bar chart and table show the performance of the Titan 500 Master Fund both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TITAN 500 MASTER FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-33.19%	-46.16%	54.39%	18.55%
HIGHEST QUARTER RETURN*			31.25%
(QUARTER ENDED 6/30/03)			
LOWEST QUARTER RETURN*			-35.04%
(QUARTER ENDED 9/30/02)			

*REFLECTS PERFORMANCE OF H CLASS SHARES OF THE TITAN 500 FUND

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

MASTER FUND

	FUND RETURN BEFORE TAXES	S&P 500 INDEX (2)
PAST ONE YEAR	18.55%	10.89%
SINCE INCEPTION (01/01/01)	-13.67%	-0.52%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) THE S&P 500 (R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 5

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Titan 500 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
TITAN 500 MASTER FUND	\$98	\$305	\$529	\$1174

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TEMPEST 500 MASTER FUND

FUND OBJECTIVE

The Tempest 500 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the S&P 500(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Tempest 500 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Tempest 500 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Tempest 500 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Tempest 500 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

PROSPECTUS 7

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also

have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the S&P 500(R) Index to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the S&P 500(R) Index goes up.

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PERFORMANCE

The bar chart and table show the performance of the Tempest 500 Master Fund both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

TEMPEST 500 MASTER FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
21.69%	38.61%	-43.11%	-19.39%
HIGHEST QUARTER RETURN*			34.51%
(QUARTER ENDED 9/30/01)			
LOWEST QUARTER RETURN*			-26.32%
(QUARTER ENDED 6/30/03)			

*REFLECTS PERFORMANCE OF H CLASS SHARES OF THE TEMPEST 500 FUND

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

MASTER FUND

	FUND RETURN BEFORE TAXES	S&P 500 INDEX (2)
PAST ONE YEAR	-19.39%	10.89%
SINCE INCEPTION (01/01/01)	-1.03%	-0.52%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) THE S&P 500 (R) INDEX IS AN UNMANAGED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 500 COMMON STOCKS, WHICH ARE CHOSEN BY THE STANDARD & POOR'S CORPORATION ("S&P"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Tempest 500 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
-----	-----	-----	-----	-----
TEMPEST 500 MASTER FUND	\$98	\$305	\$529	\$1174

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VELOCITY 100 MASTER FUND

FUND OBJECTIVE

The Velocity 100 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Nasdaq 100(R) Index (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the underlying index. When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Velocity 100 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Velocity 100 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Velocity 100 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Velocity 100 Master Fund also may purchase equity securities.

PRINCIPAL RISKS

The Velocity 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation

programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly

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in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes down.

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PERFORMANCE

The bar chart and table show the performance of the Velocity 100 Master Fund both year by year and as an average over different year periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VELOCITY 100 MASTER FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-69.12%	-68.13%	107.76%	15.63%

HIGHEST QUARTER RETURN* 72.09%
(QUARTER ENDED 12/31/01)

LOWEST QUARTER RETURN* -62.24%
(QUARTER ENDED 9/30/01)

*REFLECTS PERFORMANCE OF THE H CLASS SHARES OF THE VELOCITY 100 FUND

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

MASTER FUND

	FUND RETURN BEFORE TAXES	NASDAQ 100 INDEX (2)
PAST ONE YEAR	15.63%	10.43%
SINCE INCEPTION (01/01/01)	-32.76%	-8.79%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

PROSPECTUS 13

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Velocity 100 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
VELOCITY 100 MASTER FUND	\$98	\$305	\$529	\$1174

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VENTURE 100 MASTER FUND

FUND OBJECTIVE

The Venture 100 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Nasdaq 100 Index(R) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Venture 100 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Venture 100 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Venture 100 Master Fund holds U.S.

Government securities or cash equivalents to collateralize these futures and options contracts.

PRINCIPAL RISKS

The Venture 100 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly

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in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Nasdaq 100 Index(R) to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Nasdaq 100 Index(R) goes up.

PERFORMANCE

The bar chart and table show the performance of the Venture 100 Master Fund for both year by year and as an average over different periods of time. The variability of performance over time provides an indication of the risks of investing in the Fund. Of course, this past performance does not necessarily indicate how the Fund will perform in the future.

VENTURE 100 MASTER FUND

[THE FOLLOWING TABLE WAS REPRESENTED BY A BAR CHART IN THE PRINTED MATERIAL.]

2001	2002	2003	2004
-4.31%	52.46%	-62.61%	-24.00%
HIGHEST QUARTER RETURN*			116.97%
(QUARTER ENDED 9/30/01)			
LOWEST QUARTER RETURN*			-51.13%
(QUARTER ENDED 12/31/01)			

*REFLECTS PERFORMANCE OF H CLASS SHARES OF THE VENTURE 100 FUND

AVERAGE ANNUAL TOTAL RETURN (FOR PERIODS ENDED DECEMBER 31, 2004) (1)

MASTER FUND

	FUND RETURN BEFORE TAXES	NASDAQ 100 INDEX (2)
PAST ONE YEAR	-24.00%	10.43%
SINCE INCEPTION (01/01/01)	-19.76%	-8.79%

(1) THESE FIGURES ASSUME THE REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS.

(2) THE NASDAQ 100 INDEX(R) IS AN UNMANAGED MODIFIED CAPITALIZATION-WEIGHTED INDEX COMPOSED OF 100 OF THE LARGEST NON-FINANCIAL COMPANIES LISTED ON THE NASDAQ STOCK MARKET ("NASDAQ"). RETURNS REFLECT NO DEDUCTION FOR FEES, EXPENSES, OR TAXES.

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FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Venture 100 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
VENTURE 100 MASTER FUND	\$98	\$305	\$529	\$1174

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LONG DYNAMIC DOW 30 MASTER FUND

FUND OBJECTIVE

The Long Dynamic Dow 30 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objectives, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any increase in the value of the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index declines, the value of the Fund's shares should also decrease on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Long Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Long Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, futures and options contracts enable the Long Dynamic Dow 30 Master Fund to pursue its objective without investing directly in the securities included in the benchmark, or in the same proportion that those securities are represented in that benchmark. On a day-to-day basis, the Long Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts. The Long Dynamic Dow 30 Master Fund also may purchase equity securities.

Under normal circumstances, the Long Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform similarly to those of the underlying index. This is a non-fundamental policy that can be changed by the Long Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Long Dynamic Dow 30 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

PROSPECTUS 19

ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a

daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average(SM) to go up and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average(SM) goes down.

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PERFORMANCE

The Long Dynamic Dow 30 Master Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Long Dynamic Dow 30 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

LONG DYNAMIC	1 YEAR	3 YEARS	5 YEARS	10 YEARS
-----	-----	-----	-----	-----
DOW 30 MASTER FUND	\$98	\$305	\$529	\$1174

PROSPECTUS 21

INVERSE DYNAMIC DOW 30 MASTER FUND

FUND OBJECTIVE

The Inverse Dynamic Dow 30 Master Fund seeks to provide investment results that will match the performance of a specific benchmark on a daily basis. The Fund's current benchmark is 200% of the inverse (opposite) performance of the Dow Jones Industrial Average(SM) (the "underlying index").

If the Fund meets its objective, the value of the Fund's shares will tend to increase on a daily basis by 200% of the value of any decrease in the underlying index (e.g., if the underlying index goes down by 5%, the value of the Fund's shares should go up by 10% on that day). When the value of the underlying index increases, the value of the Fund's shares should decrease on a daily basis by 200% of the value of any increase in the underlying index (e.g., if the underlying index goes up by 5%, the value of the Fund's shares should go down by 10% on that day).

PRINCIPAL INVESTMENT STRATEGY

The Fund pursues its investment objective through what is sometimes referred to as a "master-feeder arrangement." The Fund invests all of its assets in the Inverse Dynamic Dow 30 Master Fund, a separate series of the Trust with an identical investment objective.

The Inverse Dynamic Dow 30 Master Fund employs as its portfolio investment strategy a program of engaging in short sales of securities and investing in leveraged instruments, such as equity index swaps, futures contracts and options on securities, futures contracts, and stock indices. Equity index swaps, short sales, futures and options contracts enable the Inverse Dynamic Dow 30 Master Fund to pursue its objective without selling short each of the securities included in the benchmark. On a day-to-day basis, the Inverse Dynamic Dow 30 Master Fund holds U.S. Government securities or cash equivalents to collateralize these futures and options contracts.

Under normal circumstances, the Inverse Dynamic Dow 30 Master Fund will invest substantially all (at least 80%) of its assets in financial instruments with economic characteristics that should perform opposite to those of the underlying index. This is a non-fundamental policy that can be changed by the Inverse Dynamic Dow 30 Master Fund upon 60 days' prior notice to shareholders.

PRINCIPAL RISKS

The Inverse Dynamic Dow 30 Master Fund is subject to a number of risks that may affect the value of its shares, including:

MARKET RISK - The Fund's value may fluctuate from day to day. Due to market conditions, Fund shares may decline in value causing you to lose money.

EQUITY RISK - The equity markets are volatile, and the value of the Fund's equity securities and equity derivatives, such as futures and options contracts, may fluctuate significantly from day to day. This volatility may cause the value of your investment in the Fund to decrease.

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ACTIVE TRADING RISK - A significant portion of the Fund's assets come from investors who take part in certain strategic and tactical asset allocation programs. The Fund anticipates that investors who take part in these programs may frequently redeem or exchange shares of the Fund, which may cause the Fund to experience high portfolio turnover. Higher portfolio turnover may result in the Fund paying higher levels of transaction costs and generating greater tax liabilities for shareholders. In addition, large movements of assets into and out of the Fund may negatively impact the Fund's ability to achieve its investment objective.

DERIVATIVES RISK - The Fund's use of equity derivatives such as futures, options and swap agreements to pursue its investment objectives may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. These risks may cause the Fund to experience higher losses than a fund that does not use derivatives.

LEVERAGING RISK - The more the Fund invests in leveraged instruments, the more this leverage will magnify any losses on those investments. Leverage will also have the effect of magnifying tracking error risk.

SHORT SALES RISK - Short sales are transactions in which the Fund sells a security it does not own. If the security the Fund sold short goes down in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security goes up in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

SWAP COUNTERPARTY CREDIT RISK - The Fund is subject to credit risk on the amount it expects to receive from swap agreement counterparties. If a swap counterparty defaults on its payment obligations to the Fund, this default will cause the value of your investment in the Fund to decrease.

TRACKING ERROR RISK - The Advisor may not be able to cause the Fund's performance to match or exceed that of the Fund's benchmark, on a daily basis. In addition, because the Fund is tracking the performance of its benchmark on a daily basis, mathematical compounding may prevent the Fund from correlating with the monthly, quarterly, annual or other period performance of its benchmark. Tracking error may cause the Fund's performance to be less than you expect.

TRADING HALT RISK - If a trading halt occurs, the Fund may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Fund prices its shares may limit the Fund's ability to use leverage and may prevent the Fund from achieving its investment objective.

EARLY CLOSING RISK - The Fund is subject to the risk that unanticipated early

closings of securities exchanges will result in the Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when the Fund needs to execute a high volume of securities trades late in a trading day, the Fund might incur substantial trading losses.

INVESTOR PROFILE

Investors who expect the Dow Jones Industrial Average(SM) to go down and want highly accelerated investment gains when that index does so. These investors must also be willing to bear the risk of equally accelerated losses if the Dow Jones Industrial Average(SM) goes up.

PERFORMANCE

The Inverse Dynamic Dow 30 Master Fund commenced operations on February 20, 2004. Therefore, it does not have a performance history for a full calendar year.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold shares of the Inverse Dynamic Dow 30 Master Fund.

SHAREHOLDER FEES	NONE
ANNUAL FUND OPERATING EXPENSES (EXPENSES THAT ARE DEDUCTED FROM FUND ASSETS)	
MANAGEMENT FEES	0.90%
DISTRIBUTION (12b-1) FEES	NONE
OTHER EXPENSES	0.03%
TOTAL ANNUAL FUND OPERATING EXPENSES	0.93%

EXAMPLE

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 in the Fund for the time period indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's estimated operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your cost would be:

INVERSE DYNAMIC	1 YEAR	3 YEARS	5 YEARS	10 YEARS
-----	-----	-----	-----	-----
DOW 30 MASTER FUND	\$98	\$305	\$529	\$1174

MORE INFORMATION ABOUT FUND

INVESTMENTS AND RISK

Each Dynamic Fund's objective is to provide investment results that match the performance measured on a daily basis of a specific benchmark. The investment objective of each Dynamic Fund is non-fundamental and may be changed without shareholder approval. The current benchmark used by each Dynamic Fund is set forth below:

<TABLE> <CAPTION> FUND NAME	BENCHMARK
<S> TITAN 500 MASTER FUND	<C> 200% OF THE PERFORMANCE OF THE S&P 500 (R) INDEX
TEMPEST 500 MASTER FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE S&P 500 (R) INDEX
VELOCITY 100 MASTER FUND	200% OF THE PERFORMANCE OF THE NASDAQ 100 INDEX (R)
VENTURE 100 MASTER FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE OF THE NASDAQ 100 INDEX (R)
LONG DYNAMIC DOW 30 MASTER FUND	200% OF THE PERFORMANCE OF THE DOW JONES INDUSTRIAL AVERAGE (SM)
INVERSE DYNAMIC DOW 30 MASTER FUND	200% OF THE INVERSE (OPPOSITE) PERFORMANCE

</TABLE>

A BRIEF GUIDE TO THE BENCHMARKS

THE S&P 500 (R) INDEX. The S&P 500 (R) Index is a capitalization-weighted index composed of 500 common stocks, which are chosen by the Standard & Poor's Corporation ("S&P") on a statistical basis.

THE NASDAQ 100 INDEX (R). The Nasdaq 100 Index (R) is a modified capitalization weighted index composed of 100 of the largest non-financial companies listed on The Nasdaq Stock Market, Inc. ("Nasdaq").

THE DOW JONES INDUSTRIAL AVERAGE INDEX (SM). The Dow Jones Industrial Average Index (SM) is a price-weighted index of 30 "blue-chip" U.S. stocks. The index is published by Dow Jones & Company, Inc. and the component stocks are selected by editors of the Wall Street Journal. The components tend to be market leaders in their respective industries and their stocks are typically widely held by individuals and institutional investors.

PROSPECTUS 25

UNDERSTANDING COMPOUNDING & THE EFFECT OF LEVERAGE

It is important to understand the effects of compounding when investing in any mutual fund, especially funds which use leverage as part of their investment strategy. The following simple examples provide an illustration:

EXAMPLE A: Assume you invest \$100 in Fund A, a typical index fund that seeks to match the performance of its underlying index. If the index increases 10% on day one, the value of your shares in Fund A would be expected to increase \$10 (10% of \$100) to \$110. The next day, if the index decreases 10%, the value of your shares in Fund A would be expected to decrease \$11 (10% of \$110) to \$99.

EXAMPLE B: Assume you invested \$100 in Fund B, a fund that seeks to return 200% of the performance of the same index. On day one, the value of your shares in Fund B would be expected to increase \$20 (20% of \$100) to \$120. On day two, however, the value of your shares in the leveraged fund would be expected to decrease \$24 (20% of \$120) to \$96.

Because of the effect of compounding, in each case the value of your investment declined even though the index went up 10% on day one and down 10% on day two. However, the effect of compounding was more pronounced when combined with leverage (Example B). In addition, because of the effect of compounding, the performance of a leveraged fund is more likely to match the performance of its underlying index on a daily basis than over an extended period of time

ADVISOR'S PORTFOLIO INVESTMENT STRATEGY IN MANAGING THE DYNAMIC MASTER FUNDS

In managing the Dynamic Master Funds, the Advisor uses a "passive" investment strategy to manage each Fund's portfolio, meaning that the Advisor does not attempt to select securities based on their individual potential to perform better than the market. The Advisor's primary objective is to match the performance of each Fund's benchmark as closely as possible on a daily basis. The Advisor uses quantitative analysis techniques to structure each Fund to obtain the highest correlation to its particular benchmark. The Advisor does not engage in temporary defensive investing, keeping each Fund's assets fully invested in all market environments. The Advisor monitors each Fund on an ongoing basis, and makes adjustments to its portfolio, as necessary, to minimize tracking error and to maximize liquidity.

The Advisor pursues the Dynamic Funds' investment objectives by regularly utilizing leveraged instruments, such as futures contracts and options on securities, futures contracts, and stock indices. In addition, the Advisor will regularly utilize short selling techniques designed to help the performance to inversely correlate to 200% of the performance of the relevant benchmark.

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OTHER INVESTMENT PRACTICES AND STRATEGIES

Please see the statement of additional information (the "SAI") for a more complete list of portfolio investment strategies, permitted investments and related risks.

PRINCIPAL RISKS OF INVESTING IN THE FUNDS

As indicated below, the Funds (which includes their respective "master fund") are subject to a number of risks that may affect the value of the Funds' shares.

EQUITY RISK (ALL FUNDS) - The Funds invest primarily in instruments that attempt to track the price movement of equity indices as well as equity securities, including common stocks. Investments in equity securities and equity derivatives in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which the Funds invest will cause the net asset value of each of the Funds to fluctuate. Historically, the equity markets have moved in cycles, and the value of each of the Fund's equity securities and equity derivatives may fluctuate drastically from day-to-day. This price volatility is the principal risk of investing in equity securities. Because of their link to the equity markets and use of leverage, an investment in the Funds may be more suitable for investors who can bear the risk of short-term principal fluctuations, which at times may be significant.

NON-DIVERSIFICATION RISK (ALL FUNDS) - Since each Fund is non-diversified, each Fund may invest in the securities of a limited number of issuers. To the extent that a Fund invests a significant percentage of its assets in a limited number of issuers, the Fund is subject to the risks of investing in those few issuers, and may be more susceptible to a single adverse economic or regulatory occurrence.

INDUSTRY CONCENTRATION RISK (ALL FUNDS) - None of the Funds will invest 25% or more of the value of the Fund's total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries; except that, to the extent the index underlying a Fund's benchmark is concentrated in a particular industry, a Fund will necessarily be concentrated in that industry. Currently, the index underlying the Velocity 100 Master Fund's and the Venture 100 Master Fund's benchmark-the Nasdaq 100 Index(R)-is concentrated in technology companies. The risk of concentrating Fund investments in a limited number of issuers conducting business in the same industry or group of industries is that a Fund will be more susceptible to the risks associated with that industry or group of industries than a fund that does not concentrate its investments.

TRACKING ERROR RISK (ALL FUNDS) - While the Funds do not expect returns to deviate significantly from their respective benchmarks on a daily basis, certain factors may affect their ability to achieve close correlation. These factors may include Fund expenses, imperfect correlation between the Funds' investments and those of their benchmarks, rounding of share prices, changes to the benchmark, regulatory policies, and leverage. The cumulative effect of these factors may over time cause the Funds' returns to deviate from their

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respective benchmarks on an aggregate basis. The magnitude of any tracking error may be affected by a higher portfolio turnover rate.

TRADING HALT RISK (ALL FUNDS) - The Funds typically will hold short-term options and futures contracts. The major exchanges on which these contracts are traded, such as the Chicago Mercantile Exchange ("CME"), have established limits on how much an option or futures contract may decline over various time periods within a day. If an option or futures contract's price declines more than the established limits, trading on the exchange is halted on that instrument. If a trading halt occurs, the Funds may temporarily be unable to purchase or sell options or futures contracts. Such a trading halt near the time the Funds price their shares may limit the Funds' ability to use leverage and may prevent the Funds from achieving their investment objectives. In such an event, the Funds also may be required to use a "fair-value" method to price their outstanding contracts.

FUTURES AND OPTIONS RISK (ALL FUNDS) - The Funds may invest a percentage of their assets in futures and options contracts. The Funds may use futures contracts and related options for bona fide hedging purposes to offset changes in the value of securities held or expected to be acquired. They may also be used to gain exposure to a particular market or instrument, to create a synthetic money market position, and for certain other tax-related purposes. The Funds will only enter into futures contracts traded on a national futures exchange or board of trade. Futures and options contracts are described in more detail below:

FUTURES CONTRACTS - Futures contracts and options on futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. An option on a futures contract gives the purchaser the right, in exchange for a premium, to assume a position in a futures contract at a specified exercise price during the term of the option. Index futures are futures contracts for various indices that are traded on registered securities exchanges.

OPTIONS - The buyer of an option acquires the right to buy (a call option) or sell (a put option) a certain quantity of a security (the underlying security) or instrument at a certain price up to a specified point in time. The seller or writer of an option is obligated to sell (a call option) or buy (a put option) the underlying security. When writing (selling) call options on securities, the Funds may cover their positions by owning the underlying security on which the option is written or by owning a call option on the underlying security. Alternatively, the Funds may cover their position by maintaining in a segregated account cash or liquid securities equal in value to the exercise price of the call option written by the Funds.

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The risks associated with the Funds' use of futures and options contracts include:

- o The Funds experiencing losses over certain ranges in the market that exceed losses experienced by the funds that do not use futures contracts and options.
- o There may be an imperfect correlation between the changes in market value of the securities held by Funds and the prices of futures and options on futures.
- o Although the Funds will only purchase exchange-traded futures, due to market conditions there may not always be a liquid secondary market for a futures contract. As a result, the Funds may be unable to close out their futures contracts at a time which is advantageous.
- o Trading restrictions or limitations may be imposed by an exchange, and government regulations may restrict trading in futures contracts and options.
- o Because option premiums paid or received by the Funds are small in relation to the market value of the investments underlying the options, buying and selling put and call options can be more speculative than investing directly in securities.

EARLY CLOSING RISK (ALL FUNDS) - The normal close of trading of securities listed on Nasdaq and the New York Stock Exchange ("NYSE") is 4:00 p.m., Eastern Time. Unanticipated early closings may result in a Fund being unable to sell or buy securities on that day. If an exchange closes early on a day when one or more of the Funds needs to execute a high volume of securities trades late in a trading day, a Fund might incur substantial trading losses.

SHORT SALES RISK (TEMPEST 500 MASTER, VENTURE 100 MASTER AND INVERSE DYNAMIC DOW 30 MASTER FUNDS) - Short sales are transactions in which a Fund sells a security it does not own. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be higher or lower than the price at which the security was sold by the Fund. If the underlying security goes down in price between the time the Fund sells the security and buys it back, the Fund will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the Fund will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Fund must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Fund must pay to the lender of the security. The Fund is also required to segregate other assets on its books to cover its obligation to return the security to the lender which means that those other assets may not be available to meet the Fund's needs for immediate cash or other liquidity. The Fund's investment performance may also suffer if the Fund is required to close out a short position earlier than it had intended. This would occur if the securities lender required the Fund to deliver the securities the Fund borrowed at the commencement of the short sale and the Fund was unable

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to borrow the securities from another securities lender or otherwise obtain the security by other means. In addition, the Fund may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as costs of borrowing and margin account maintenance costs associated with the Fund's open short positions. These expenses negatively impact the performance of the Fund. For example, when a Fund short sells an interest-bearing security, such as a bond, it is obligated to pay the interest on the security it has sold. This cost is partially offset by the interest earned by the Fund on the cash generated by the short sale. To the extent that the interest rate that the Fund is obligated to pay is greater than the interest earned by the Fund on investments, the performance of the Fund will be negatively impacted. This type of short sales expense is sometimes referred to

as the "negative cost of carry," and will tend to cause a Fund to lose money on a short sale even in instances where the price of the underlying security sold short does not change over the duration of the short sale.

SWAP COUNTERPARTY CREDIT RISK (ALL FUNDS) - The Funds may enter into equity index or interest rate swap agreements for purposes of attempting to gain exposure to a particular group of stocks or to an index of stocks without actually purchasing those stocks, or to hedge a position. The Funds will use short-term swap agreements to exchange the returns (or differentials in rates of return) earned or realized in particular predetermined investments or instruments. A Fund will not enter into any swap agreement unless the Advisor believes that the other party to the transaction is creditworthy. The use of equity swaps involves risks that are different from those associated with ordinary portfolio securities transactions. Swap agreements may be considered to be illiquid. A Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

PORTFOLIO HOLDINGS

A description of the Funds' policies and procedures with respect to the disclosure of Fund portfolio securities is available in the SAI.

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INVESTING WITH RYDEX:

----- SHAREHOLDER INFORMATION

Shares of the Master Funds are offered only to Feeder Funds in the Trust's "master-feeder" structure.

Feeder Funds may submit transaction orders to buy or sell Fund shares on any day that the NYSE is open for business (a "Business Day").

----- CALCULATING NAV

The price at which you buy or sell shares is the net asset value per share, which is also known as NAV. Each Fund calculates its NAV by:

- o Taking the current market value of its total assets
- o Subtracting any liabilities
- o Dividing that amount by the total number of shares owned by shareholders

The Dynamic Master Funds calculate NAV twice each Business Day, first in the morning and again in the afternoon. The morning NAV is calculated as of 10:45 a.m., Eastern Time and the afternoon NAV is calculated as of the regularly scheduled close of normal trading on the NYSE (normally, 4:00 p.m., Eastern Time).

If the primary exchange or market where a Fund's securities or other investments trade closes early - such as on days in advance of holidays generally observed by participants in these markets - the Funds may calculate NAV as of the earlier closing time. On days when the exchange or market is scheduled to close early, such as the day before a holiday, the Dynamic Master Funds will only calculate NAV once at the close of the exchange or market. For more information on these early closings, please call 800.820.0888 or visit the Rydex web site - www.rydexinvestments.com.

In calculating NAV, each Fund generally values its investment portfolio based on the market price of the securities as of the time the Fund determines NAV. If market prices are unavailable or the Funds think that they are unreliable, such as instances where the value of a security has been materially affected by events occurring after the market closes, the Funds price those securities at fair value as determined in good faith using methods approved by the Board of Trustees.

The use of fair valuation in pricing a security involves the consideration of a number of subjective factors and therefore, is susceptible to the unavoidable risk that the valuation may be higher or lower than the price at which the security might actually trade if a reliable market price were readily available.

DIVIDENDS AND DISTRIBUTIONS

TIMING OF PAYMENTS

Income dividends, if any, are paid at least annually by each of the Funds. If you own Fund shares on a Fund's record date, you will be entitled to receive the dividend. The Funds may declare and pay dividends on the same date. The Funds make distributions of capital gains, if any, at least annually. The Funds, however, may declare a special capital gains distribution if the Board of Trustees believe that such a distribution would be in the best interest of the shareholders of a Fund.

DIVIDEND PAYMENT OPTIONS

Dividends and distributions are paid in the form of additional Fund shares to the Feeder Funds.

TAX INFORMATION

The following is a summary of some important tax issues that affect the Funds and their shareholders. The summary is based on current tax laws, which may be changed by legislative, judicial or administrative action. You should not consider this summary to be a detailed explanation of the tax treatment of the Funds, or the tax consequences of an investment in the Funds. MORE INFORMATION ABOUT TAXES IS LOCATED IN THE SAI. YOU ARE URGED TO CONSULT YOUR TAX ADVISER REGARDING SPECIFIC QUESTIONS AS TO FEDERAL, STATE AND LOCAL INCOME TAXES.

TAX STATUS OF EACH FUND

Each Fund is treated as a separate entity for federal tax purposes, and intends to qualify for the special tax treatment afforded regulated investment companies. As long as a Fund qualifies as a regulated investment company, it pays no federal income tax on the earnings it distributes to shareholders.

TAX STATUS OF DISTRIBUTIONS

- o Each Fund will, at least annually, distribute substantially all of its net investment income and net capital gains income.
- o The income dividends and short-term capital gains distributions you receive from the Funds will be taxed as either ordinary income or qualified dividend income. Dividends that are qualified dividend income are eligible for the reduced maximum rate to individuals of 15% (5% for individuals in lower tax brackets) to the extent that the Fund receives qualified dividend income.
- o Any long-term capital gains distributions you receive from a Fund are taxable as long-term capital gains regardless of how long you have owned your shares. Long-term capital gains are currently taxed at a maximum rate of 15%.
- o Absent further legislation, the maximum 15% tax rate on qualified dividend income and long-term capital gains will cease to apply to taxable years beginning after December 31, 2008.
- o Dividends and distributions are generally taxable to you whether you receive them in cash or in additional shares.

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- o Corporate shareholders may be entitled to a dividends-received deduction for the portion of dividends they receive that are attributable to dividends received by a fund from U.S. corporations, subject to certain limitations.
- o Long-term capital gains distributions will result from gains on the sale or exchange of capital assets held by a Fund for more than one year.
- o Distributions paid in January but declared by a Fund in October, November or December of the previous year may be taxable to you in the previous year.
- o The Fund will inform you of the amount of your ordinary income dividends, qualified dividend income, and capital gain distributions shortly after the close of each calendar year.

TAX STATUS OF SHARE TRANSACTIONS

EACH SALE, EXCHANGE, OR REDEMPTION OF FUND SHARES MAY BE A TAXABLE EVENT TO YOU. For tax purposes, an exchange of Fund shares for shares of a different Rydex Fund is treated the same as a sale. You should consider the tax consequences of any redemption or exchange before making such a request, especially with respect to redemptions if you invest in the Funds through a tax-qualified retirement plan.

A Fund is not liable for any income or franchise tax in Delaware as long as it qualifies as a regulated investment company for federal income tax purposes. In addition to federal taxes, distributions by the Funds and ownership of Fund shares may be subject to state and local taxes. You should consult your tax adviser regarding how state and local tax laws affect your investment in Fund shares.

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MANAGEMENT OF THE FUNDS

INVESTMENT ADVISOR

Rydex Investments (the "Advisor"), 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, serves as investment adviser and manager of the Funds. The Advisor has served as the investment adviser of the Rydex Funds since the Funds' inception over 10 years ago, and serves as sub-adviser to several other mutual funds.

The Advisor makes investment decisions for the assets of the Funds and continuously reviews, supervises, and administers each Fund's investment program. The Board of Trustees of the Trust supervise the Advisor and establish policies that the Advisor must follow in its day-to-day management activities. Under investment advisory agreements between the Trust and the Advisor, the Funds paid the Advisor a fee at an annualized rate for the fiscal year ended December 31, 2004, based on the average daily net assets for each Fund, as set forth below:

FUND	ADVISORY FEE
TITAN 500 MASTER FUND	0.90%
TEMPEST 500 MASTER FUND	0.90%
VELOCITY 100 MASTER FUND	0.90%
VENTURE 100 MASTER FUND	0.90%
LONG DYNAMIC DOW 30 MASTER FUND	0.90%
INVERSE DYNAMIC DOW 30 MASTER FUND	0.90%

The Advisor bears all of its own costs associated with providing these advisory services and the expenses of the Board of Trustees who are affiliated with the Advisor. The Advisor may make payments from its own resources to broker-dealers and other financial institutions in connection with the sale of Fund shares.

PORTFOLIO MANAGEMENT

Each Master Fund is managed by a team of investment professionals. The following portfolio managers are jointly and primarily responsible for the day-to-day management of the Master Funds. Each of the following portfolio managers are members of the Rydex Investment Committee and together they share final portfolio management decision making authority.

MICHAEL P. BYRUM, CFA, has been associated with Rydex Investments since the Advisor was founded in 1993. Mr. Byrum was named the President of Rydex Investments in 2004 and has served as Chief Investment Officer of Rydex Investments since 2000. During this time, he has played a key role in the development of the firm's investment strategies and product offerings. As Senior Portfolio Manager, Mr. Byrum was instrumental in the launch of the OTC, Precious Metals, U.S. Government Bond, Ursa and Arktos Funds, and helped to create the Rydex Sector Funds. He was named Vice President of Portfolio for Rydex Investments in 1998, and Executive Vice President in 2000. Prior to joining Rydex, Mr. Byrum worked for Money Management Associates, the investment adviser for Rushmore Funds, Inc. He holds a degree in finance from Miami University of Ohio.

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WILLIAM E. FLAIG, JR., joined Rydex in January 2000 to manage the Large-Cap Europe and Large-Cap Japan Funds. Mr. Flaig has been instrumental in the development of derivative strategies for these Funds and for the Rydex Dynamic Funds, which were launched the same year. In 2001, he was promoted to senior portfolio manager and group leader for Rydex's S&P 500-based funds, fixed-income funds and several sector funds. In this capacity, Mr. Flaig helped to advance Rydex's quantitative management abilities and process. In 2003, Mr. Flaig was promoted to director of investments. He is responsible for the investment objectives of all mutual funds and sub-advised accounts and is a member of Rydex's senior management team and its Investment Strategy Committee, which determines investment policy for all Rydex Funds. Mr. Flaig came to Rydex after

more than seven years at Bankers Trust, where he was a trader in emerging markets currency derivatives. He holds a degree in management and finance from Purdue University.

JIM KING, CFA, joined Rydex in 1996 and was promoted to assistant portfolio manager in 1997. In 1998, he became a portfolio manager and was promoted in 2001 to senior portfolio manager. Mr. King has served as an interim director of equity trading and investment operations. Currently, Mr. King's team manages all of the Rydex leveraged and inverse funds, as well as Rydex Sector Rotation Fund. Mr. King is a member of Rydex's Investment Strategy Committee, which determines investment policy for all Rydex Funds. Prior to joining Rydex, he worked as a registered representative at DMG Securities. He holds a degree in finance from the University of Maryland.

Additional Information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Funds is available in the SAI.

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FINANCIAL HIGHLIGHTS

The financial highlights tables are intended to help you understand the Funds' financial performance for the period of operations of the Master Shares. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in a Master Share of a Fund (assuming reinvestment of all dividends and distributions). This information has been audited by Pricewaterhouse Coopers LLP, whose report, along with the financial statements and related notes, appears in the Rydex Dynamic Funds' 2004 Annual Report. The 2004 Annual Report is available by telephoning the transfer agent at 800.820.0888 or 301.296.5100. The Annual Report is incorporated by reference in the SAI.

<TABLE>
<CAPTION>

	NET ASSET VALUE, BEGINNING OF PERIOD	NET INVESTMENT INCOME (LOSS)	NET REALIZED AND UNREALIZED GAINS (LOSSES) ON SECURITIES	NET INCREASE (DECREASE) IN NET ASSET VALUE RESULTING FROM OPERATIONS	DISTRIBUTIONS TO FEEDER FUNDS FROM: NET INVESTMENT INCOME	RETURN OF CAPITAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
TITAN 500 MASTER PORTFOLIO						
DECEMBER 31, 2004	\$ 26.85	\$.24	\$ 4.74	\$ 4.98	\$ --	\$ --
December 31, 2003	17.72	.09	9.54	9.63	--	--
December 31, 2002	32.91	.14	(15.33)	(15.19)	--	--
December 31, 2001*	50.00	.76	(17.21)	(16.45)	(.03)	(.61)
TEMPEST 500 MASTER PORTFOLIO						
DECEMBER 31, 2004	47.65	.21	(9.45)	(9.24)	--	--
December 31, 2003	83.76	.04	(36.15)	(36.11)	--	--
December 31, 2002	60.43	.41	22.92	23.33	--	--
December 31, 2001*	50.00	.81	10.00	10.81	(.38)	--
VELOCITY 100 MASTER PORTFOLIO						
DECEMBER 31, 2004	8.37	(.05)	1.35	1.30	--	--
December 31, 2003	4.92	(.03)	5.33	5.30	--	--
December 31, 2002	15.44	(.02)	(10.50)	(10.52)	--	--
December 31, 2001*	50.00	.09	(34.65)	(34.56)	--	--
VENTURE 100 MASTER PORTFOLIO						
DECEMBER 31, 2004	27.21	.13	(6.66)	(6.53)	--	--
December 31, 2003	72.77	.04	(45.60)	(45.56)	--	--
December 31, 2002	47.73	.47	24.57	25.04	--	--
December 31, 2001*	50.00	.45	(2.51)	(2.06)	(.21)	--
LONG DYNAMIC DOW 30 MASTER PORTFOLIO						
DECEMBER 31, 2004*	25.00	.08	.48	.56	--	--
INVERSE DYNAMIC DOW 30 MASTER PORTFOLIO						
DECEMBER 31, 2004*	50.00	.12	(4.24)	(4.12)	--	--

</TABLE>

* Since the commencement of operations: January 1, 2001 - Titan 500 Master

** Annualized

*** Portfolio turnover rate is calculated without regard to short-term
 securities having a maturity of less than one year.

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<TABLE>
 <CAPTION>

<S>	DISTRIBUTIONS TO FEEDER FUNDS FROM: NET		NET INCREASE (DECREASE) IN NET ASSET VALUE	NET ASSET VALUE, END OF PERIOD	TOTAL INVESTMENT RETURN
	REALIZED CAPITAL GAINS	TOTAL DISTRIBUTIONS			
<S>	<C>	<C>	<C>	<C>	<C>
TITAN 500 MASTER PORTFOLIO					
DECEMBER 31, 2004	\$ (.49)	\$ (.49)	\$ 4.49	\$ 31.34	18.55%
December 31, 2003	(.50)	(.50)	9.13	26.85	54.39%
December 31, 2002	--	--	(15.19)	17.72	(46.16)%
December 31, 2001*	--	(.64)	(17.09)	32.91	(33.19)%
TEMPEST 500 MASTER PORTFOLIO					
DECEMBER 31, 2004	--	--	(9.24)	38.41	(19.39)%
December 31, 2003	--	--	(36.11)	47.65	(43.11)%
December 31, 2002	--	--	23.33	83.76	38.61%
December 31, 2001*	--	(.38)	10.43	60.43	21.69%
VELOCITY 100 MASTER PORTFOLIO					
DECEMBER 31, 2004	(.02)	(.02)	1.28	9.65	15.63%
December 31, 2003	(1.85)	(1.85)	3.45	8.37	107.76%
December 31, 2002	--	--	(10.52)	4.92	(68.13)%
December 31, 2001*	--	--	(34.56)	15.44	(69.12)%
VENTURE 100 MASTER PORTFOLIO					
DECEMBER 31, 2004	--	--	(6.53)	20.68	(24.00)%
December 31, 2003	--	--	(45.56)	27.21	(62.61)%
December 31, 2002	--	--	25.04	72.77	52.46%
December 31, 2001*	--	(.21)	(2.27)	47.73	(4.31)%
LONG DYNAMIC DOW 30 MASTER PORTFOLIO					
DECEMBER 31, 2004*	--	--	.56	25.56	2.24%
INVERSE DYNAMIC DOW 30 MASTER PORTFOLIO					
DECEMBER 31, 2004*	(.52)	(.52)	(4.64)	45.36	(8.23)%

<CAPTION>

<S>	RATIOS TO AVERAGE NET ASSETS:			
	TOTAL EXPENSE	NET INVESTMENT INCOME (LOSS)	PORTFOLIO TURNOVER RATE***	NET ASSETS, END OF PERIOD (000'S OMITTED)
<S>	<C>	<C>	<C>	<C>
TITAN 500 MASTER PORTFOLIO				
DECEMBER 31, 2004	0.93%	0.95%	190%	\$ 431,618
December 31, 2003	0.94%	0.59%	769%	317,863
December 31, 2002	0.94%	0.64%	1,227%	136,301
December 31, 2001*	1.19%**	1.50%**	1,494%	105,454
TEMPEST 500 MASTER PORTFOLIO				
DECEMBER 31, 2004	0.93%	0.35%	0%	254,471
December 31, 2003	0.94%	0.05%	0%	345,790
December 31, 2002	0.94%	0.52%	0%	357,949
December 31, 2001*	0.91%**	1.93%**	0%	129,611
VELOCITY 100 MASTER PORTFOLIO				
DECEMBER 31, 2004	0.93%	0.44%	154%	752,655
December 31, 2003	0.94%	(0.50)%	530%	514,796
December 31, 2002	0.94%	(0.27)%	298%	178,374
December 31, 2001*	0.97%**	0.74%**	733%	213,072
VENTURE 100 MASTER PORTFOLIO				
DECEMBER 31, 2004	0.93%	0.41%	0%	323,218
December 31, 2003	0.94%	0.15%	0%	362,576
December 31, 2002	0.94%	0.67%	0%	322,191
December 31, 2001*	0.89%**	2.52%**	0%	142,174
LONG DYNAMIC DOW 30 MASTER PORTFOLIO				
DECEMBER 31, 2004*	0.93%**	0.96%**	796%	41,947
INVERSE DYNAMIC DOW 30				

BENCHMARK INFORMATION

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- o THE ADVISABILITY OF INVESTING IN INDEX FUNDS;
- o THE ABILITY OF ANY INDEX TO TRACK STOCK MARKET PERFORMANCE;
- o THE ACCURACY AND/OR THE COMPLETENESS OF THE AFOREMENTIONED INDICES OR ANY DATA INCLUDED THEREIN;
- o THE RESULTS TO BE OBTAINED BY ANY OF THE FUNDS, THE INVESTORS IN THE FUNDS, OR ANY PERSON OR ENTITY FROM THE USE OF THE INDICES OR DATA INCLUDED THEREIN; AND
- o THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE FOR USE WITH RESPECT TO THE INDICES OR ANY DATA INCLUDED THEREIN.

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- o HAVE ANY RESPONSIBILITY OR LIABILITY FOR OR MAKE ANY DECISIONS ABOUT THE TIMING, AMOUNT OR PRICING OF THE FUNDS, INCLUDING CALCULATION OF NAV;
- o HAVE ANY RESPONSIBILITY OR LIABILITY FOR THE ADMINISTRATION, MANAGEMENT OR MARKETING OF THE FUNDS;
- o CONSIDER THE NEEDS OF THE FUNDS OR THE INVESTORS IN THE FUNDS IN DETERMINING, COMPOSING OR CALCULATING THE INDEXES OR HAS ANY OBLIGATION TO DO SO;
- o WILL HAVE ANY LIABILITY IN CONNECTION WITH THE FUNDS OR FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS IN CONNECTION WITH THE INDEXES OR THE RELATED DATA;
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MORE INFORMATION ABOUT THE INDEX PUBLISHERS IS LOCATED IN THE SAI.

PROSPECTUS 39

ADDITIONAL INFORMATION ABOUT THE FUNDS IS INCLUDED IN THE SAI DATED MAY 1, 2005, WHICH CONTAINS MORE DETAILED INFORMATION ABOUT THE FUNDS. THE SAI HAS BEEN FILED WITH THE SEC AND IS INCORPORATED BY REFERENCE INTO THIS PROSPECTUS AND, THEREFORE, LEGALLY FORMS A PART OF THIS PROSPECTUS. THE SEC MAINTAINS THE EDGAR DATABASE ON ITS WEB SITE ("HTTP://WWW.SEC.GOV") THAT CONTAINS EACH SAI, MATERIAL INCORPORATED BY REFERENCE, AND OTHER INFORMATION REGARDING REGISTRANTS THAT FILE ELECTRONICALLY WITH THE SEC. YOU MAY ALSO REVIEW AND COPY DOCUMENTS AT THE SEC PUBLIC REFERENCE ROOM IN WASHINGTON, D.C. (FOR INFORMATION ON THE OPERATION OF THE PUBLIC REFERENCE ROOM, CALL 202.942.8090). YOU MAY REQUEST DOCUMENTS BY MAIL FROM THE SEC, UPON PAYMENT OF A DUPLICATION FEE, BY WRITING TO: SECURITIES AND EXCHANGE COMMISSION, PUBLIC REFERENCE SECTION, WASHINGTON, D.C. 20549-0102. YOU MAY ALSO OBTAIN THIS INFORMATION UPON PAYMENT OF A DUPLICATION FEE, BY EMAILING THE SEC AT THE FOLLOWING ADDRESS: PUBLICINFO@SEC.GOV.

YOU MAY OBTAIN A COPY OF THE SAI OR THE ANNUAL OR SEMI-ANNUAL REPORTS, WITHOUT CHARGE BY CALLING 800.820.0888 OR 301.296.5100, BY VISITING THE RYDEX WEB SITE AT WWW.RYDEXINVESTMENTS.COM, OR WRITING TO RYDEX DYNAMIC FUNDS, AT 9601 BLACKWELL ROAD, SUITE 500, ROCKVILLE, MARYLAND 20850. ADDITIONAL INFORMATION ABOUT THE FUNDS' INVESTMENTS IS AVAILABLE IN THE ANNUAL AND SEMI-ANNUAL REPORTS. ALSO, IN THE FUNDS' ANNUAL REPORTS, YOU WILL FIND A DISCUSSION OF THE MARKET CONDITIONS AND INVESTMENT STRATEGIES THAT SIGNIFICANTLY AFFECTED THE FUNDS' PERFORMANCE DURING ITS LAST FISCAL YEAR.

NO ONE HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS OR IN THE TRUST'S SAI IN CONNECTION WITH THE OFFERING OF FUND SHARES. DO NOT RELY ON ANY SUCH INFORMATION OR REPRESENTATIONS AS HAVING BEEN AUTHORIZED BY THE TRUST OR RYDEX INVESTMENTS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING BY THE FUNDS IN ANY JURISDICTION WHERE SUCH AN OFFERING IS NOT LAWFUL.

THE TRUST'S SEC REGISTRATION NUMBER IS 811-09525.

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STATEMENT OF ADDITIONAL INFORMATION

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This Statement of Additional Information ("SAI") relates to shares of the following portfolios (the "Funds") of Rydex Dynamic Funds (the "Trust"):

TITAN 500 FUND
TEMPEST 500 FUND
VELOCITY 100 FUND
VENTURE 100 FUND
LONG DYNAMIC DOW 30 FUND
INVERSE DYNAMIC DOW 30 FUND
TITAN 500 MASTER FUND
TEMPEST 500 MASTER FUND
VELOCITY 100 MASTER FUND
VENTURE 100 MASTER FUND
LONG DYNAMIC DOW 30 MASTER FUND
INVERSE DYNAMIC DOW 30 MASTER FUND

This SAI is not a prospectus. It should be read in conjunction with the Trust's prospectuses for the A-Class, C-Class and H-Class Shares, dated May 1, 2005. Copies of the Trust's prospectuses are available, without charge, upon request to the Trust at the address above or by telephoning the Trust at the telephone numbers above. The Trust's most recent financial statements are incorporated herein by reference to, and must be delivered with, this SAI.

The date of this SAI is May 1, 2005

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GENERAL INFORMATION ABOUT THE TRUST

The Trust was organized as a Delaware statutory trust on August 6, 1999. The Trust is permitted to offer separate portfolios and different classes of shares. All payments received by the Trust for shares of any Fund belong to that Fund. Each Fund has its own assets and liabilities.

Currently, the Trust is comprised of the following series: Titan 500 Fund, Tempest 500 Fund, Velocity 100 Fund, Venture 100 Fund, Long Dynamic Dow 30 Fund, Inverse Dynamic Dow 30 Fund, Titan 500 Master Fund, Tempest 500 Master Fund, Velocity 100 Master Fund, Venture 100 Master Fund, Long Dynamic Dow 30 Master Fund, and Inverse Dynamic Dow 30 Master Fund (collectively, the "Funds"). The Titan 500 Master Fund, Tempest 500 Master Fund, Velocity 100 Master Fund, Venture 100 Master Fund, Long Dynamic Dow 30 Master Fund, and Inverse Dynamic Dow 30 Master Fund (collectively, the "Master Funds") serve as master funds in a master-feeder arrangement with the Titan 500 Fund, Tempest 500 Fund, Velocity 100 Fund, Venture 100 Fund, Long Dynamic Dow 30 Fund and Inverse Dynamic Dow 30 Fund, respectively (the "Feeder Funds").

The Feeder Funds pursue their respective investment objectives indirectly by investing through what is referred to as a "master-feeder" structure. The Trust was reorganized into the master-feeder structure on December 31, 2000. As a result of the reorganization, each of the predecessor Titan 500, Tempest 500, Velocity 100 and Venture 100 Funds sold all of its assets and liabilities to its corresponding Master Fund in exchange for shares of such Master Fund.

The Feeder Funds currently offer A-Class Shares, C-Class Shares, and H-Class Shares. The different classes provide for variations in sales charges and certain shareholder servicing and distribution expenses and in the minimum initial investment requirement. In addition, an initial sales charge is imposed on the purchase of A-Class Shares, and a contingent deferred sales load is imposed on the redemption of C-Class Shares. Sales charges and minimum investment requirements with respect to a class are described in the separate prospectus applicable to such class (together the "Prospectuses"). For more information on shareholder servicing and distribution see "Distribution" below. Additional Funds and/or classes may be created from time to time.

INVESTMENT POLICIES, TECHNIQUES AND RISK FACTORS

GENERAL

Each Fund's investment objective and principal investments are described in the Trust's Prospectuses. The following information supplements, and should be read in conjunction with, those sections of the Prospectuses. Under the master-feeder arrangement, the Feeder Funds invest exclusively in the Master Funds. As a result, references in this section to "Funds" generally apply to the Master Funds only. Except as otherwise designated, each Feeder Fund reserves the right to invest in the types of instruments as its corresponding Master Fund. However, each Feeder Fund has no present intention to pursue its respective investment strategy other than by investing 100% of its assets in its corresponding Master Fund.

Portfolio management is provided to each Fund by the Trust's investment adviser, PADCO Advisors, Inc., a Maryland corporation with offices at 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850. PADCO Advisors, Inc. operates under the name Rydex Investments (the "Advisor"). The investment strategies of the Funds discussed below and in the Prospectuses may, consistent with a Fund's investment objectives and limitations, be used by a Fund if, in the opinion of the Advisor, these strategies will be advantageous to that Fund. A Fund is free to reduce or eliminate its activity with respect to any of the following investment techniques without violating

the Fund's fundamental investment policies. There is no assurance that any of the Funds' strategies or any other strategies and methods of investment available to a Fund will result in the achievement of that Fund's objectives.

BORROWING

The Funds may borrow money, including borrowing for investment purposes. Borrowing for investment is known as leveraging. Leveraging investments, by purchasing securities with borrowed money, is a speculative technique that increases investment risk, but also increases investment opportunity. Since substantially all of a Fund's assets will fluctuate in value, whereas the interest obligations on borrowings may be fixed, the net asset value per share ("NAV") of the Fund will increase more when the Fund's portfolio assets increase in value and decrease more when the Fund's portfolio assets decrease in value than would otherwise be the case. Moreover, interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the returns on the borrowed funds. Under adverse conditions, the Funds might have to sell portfolio securities to meet interest or principal payments at a time investment considerations would not favor such sales. The Funds intend to use leverage during periods when the Advisor believes that the respective Fund's investment objective would be furthered.

Each Fund may also borrow money to facilitate management of the Fund's portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio instruments would be inconvenient or disadvantageous. Such borrowing is not for investment purposes and will be repaid by the borrowing Fund promptly. As required by the Investment Company Act of 1940, as amended (the "1940 Act"), a Fund must maintain continuous asset coverage (total assets, including assets acquired with borrowed funds, less liabilities exclusive of borrowings) of 300% of all amounts borrowed. If, at any time, the value of a Fund's assets should fail to meet this 300% coverage test, a Fund, within three days (not including Sundays and holidays), will reduce the amount of a Fund's borrowings to the extent necessary to meet this 300% coverage. Maintenance of this percentage limitation may result in the sale of portfolio securities at a time when investment considerations otherwise indicate that it would be disadvantageous to do so.

In addition to the foregoing, the Funds are authorized to borrow money as a temporary measure for extraordinary or emergency purposes in amounts not in excess of 5% of the value of a Fund's total assets. This borrowing is not subject to the foregoing 300% asset coverage requirement. The Funds are authorized to pledge portfolio securities as the Advisor deems appropriate in connection with any borrowings.

FUTURES AND OPTIONS TRANSACTIONS

FUTURES AND OPTIONS ON FUTURES. Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a specific security at a specified future time and at a specified price. An option on a futures contract gives the purchaser the right, in exchange for a premium, to assume a position in a futures contract at a specified exercise price during the term of the option. A Fund will reduce the risk that it will be unable to close out a futures contract by only entering into futures contracts that are traded on a national futures exchange regulated by the Commodities Futures Trading Commission ("CFTC"). The Funds (other than the Money Market Fund) may use futures contracts and related options for BONA FIDE hedging; attempting to offset changes in the value of securities held or expected to be acquired or be disposed of; attempting to minimize fluctuations in foreign currencies; attempting to gain exposure to a particular market, index or instrument; or other risk management purposes. To the extent the Funds use futures and/or options on futures, they will do so in accordance with Rule 4.5 under the Commodity Exchange Act ("CEA"). The Trust, on behalf of all of its series has filed a notice of eligibility for exclusion from

the definition of the term "commodity pool operator" in accordance with Rule 4.5 and therefore, the Funds are not subject to registration or regulation as a commodity pool operator under the CEA.

An index futures contract is a bilateral agreement pursuant to which two parties

agree to take or make delivery of an amount of cash equal to a specified dollar amount times the difference between the index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the securities comprising the index is made; generally contracts are closed out prior to the expiration date of the contract.

When a Fund purchases or sells a futures contract, or sells an option thereon, the Fund is required to "cover" its position in order to limit leveraging and related risks. To cover its position, the Fund may maintain with its custodian bank (and marked-to-market on a daily basis), a segregated account consisting of cash or liquid securities that, when added to any amounts deposited with a futures commission merchant as margin, are equal to the market value of the futures contract or otherwise "cover" its position in a manner consistent with the 1940 Act or the rules and SEC interpretations thereunder. If the Fund continues to engage in the described securities trading practices and properly segregates assets, the segregated account will function as a practical limit on the amount of leverage which the Fund may undertake and on the potential increase in the speculative character of the Fund's outstanding portfolio securities. Additionally, such segregated accounts will generally assure the availability of adequate funds to meet the obligations of the fund arising from such investment activities.

A Fund may also cover its long position in a futures contract by purchasing a put option on the same futures contract with a strike price (I.E., an exercise price) as high or higher than the price of the futures contract. In the alternative, if the strike price of the put is less than the price of the futures contract, the Fund will maintain in a segregated account cash or liquid securities equal in value to the difference between the strike price of the put and the price of the futures contract. The Fund may also cover its long position in a futures contract by taking a short position in the instruments underlying the futures contract, or by taking positions in instruments with prices which are expected to move relatively consistently with the futures contract. The Fund may cover its short position in a futures contract by taking a long position in the instruments underlying the futures contracts, or by taking positions in instruments with prices which are expected to move relatively consistently with the futures contract.

A Fund may cover its sale of a call option on a futures contract by taking a long position in the underlying futures contract at a price less than or equal to the strike price of the call option. In the alternative, if the long position in the underlying futures contract is established at a price greater than the strike price of the written (sold) call, a Fund will maintain in a segregated account cash or liquid securities equal in value to the difference between the strike price of the call and the price of the futures contract. A Fund may also cover its sale of a call option by taking positions in instruments with prices which are expected to move relatively consistently with the call option. A Fund may cover its sale of a put option on a futures contract by taking a short position in the underlying futures contract at a price greater than or equal to the strike price of the put option, or, if the short position in the underlying futures contract is established at a price less than the strike price of the written put, a Fund will maintain in a segregated account cash or liquid securities equal in value to the difference between the strike price of the put and the price of the futures contract. A Fund may also cover its sale of a put option by taking positions in instruments with prices which are expected to move relatively consistently with the put option.

There are significant risks associated with the Funds' use of futures contracts and related options, including the following: (1) the success of a hedging strategy may depend on the Advisor's ability

to predict movements in the prices of individual securities, fluctuations in markets and movements in interest rates, (2) there may be an imperfect or no correlation between the changes in market value of the securities held by a Fund and the prices of futures and options on futures, (3) there may not be a liquid secondary market for a futures contract or option, (4) trading restrictions or limitations may be imposed by an exchange, and (5) government regulations may restrict trading in futures contracts and options on futures. In addition, some strategies reduce a Fund's exposure to price fluctuations, while others tend to increase its market exposure.

OPTIONS. The Titan 500 Master Fund and Velocity 100 Master Fund may buy call options and write (sell) put options on securities, and the Tempest 500 Master Fund and Venture 100 Master Fund may buy put options and write call options on securities for the purpose of realizing the Fund's investment objective. The Long Dynamic Dow 30 Master Fund and Inverse Dynamic Dow 30 Master Fund may buy call and put options and write (sell) call and put options on securities. The Titan 500 Master Fund and Velocity 100 Master Fund may purchase call options and write put options; the Tempest 500 Master Fund and Venture 100 Master Fund may purchase put options and write call options; The Long Dynamic Dow 30 Master Fund

and Inverse Dynamic Dow 30 Master Fund may purchase call and put options and write call and put options on stock indices listed on national securities exchanges or traded in the over-the-counter market as an investment vehicle for the purpose of realizing the Fund's investment objective.

A put option on a security gives the purchaser of the option the right to sell, and the writer of the option the obligation to buy, the underlying security at any time during the option period. A call option on a security gives the purchaser of the option the right to buy, and the writer of the option the obligation to sell, the underlying security at any time during the option period. The premium paid to the writer is the consideration for undertaking the obligations under the option contract.

A Fund may purchase and write put and call options on foreign currencies (traded on U.S. and foreign exchanges or over-the-counter markets) to manage its exposure to exchange rates. Call options on foreign currency written by a Fund will be "covered," which means that a Fund will own an equal amount of the underlying foreign currency.

Put and call options on indices are similar to options on securities except that options on an index give the holder the right to receive, upon exercise of the option, an amount of cash if the closing level of the underlying index is greater than (or less than, in the case of puts) the exercise price of the option. This amount of cash is equal to the difference between the closing price of the index and the exercise price of the option, expressed in dollars multiplied by a specified number. Thus, unlike options on individual securities, all settlements are in cash, and gain or loss depends on price movements in the particular market represented by the index generally, rather than the price movements in individual securities.

All options written on indices or securities must be covered. When a Fund writes an option on a security, on an index or a foreign currency, it will establish a segregated account containing cash or liquid securities in an amount at least equal to the market value of the option and will maintain the account while the option is open or will otherwise cover the transaction.

A Fund may trade put and call options on securities, securities indices and currencies, as the Advisor determines is appropriate in seeking a Fund's investment objective, and except as restricted by a Fund's investment limitations. See "Investment Restrictions."

The initial purchase (sale) of an option contract is an "opening transaction." In order to close out an option position, a Fund may enter into a "closing transaction," which is simply the sale (purchase)

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of an option contract on the same security with the same exercise price and expiration date as the option contract originally opened. If a Fund is unable to effect a closing purchase transaction with respect to an option it has written, it will not be able to sell the underlying security until the option expires or a Fund delivers the security upon exercise.

A Fund may purchase put and call options on securities to protect against a decline in the market value of the securities in its portfolio or to anticipate an increase in the market value of securities that a Fund may seek to purchase in the future. A Fund purchasing put and call options pays a premium therefor. If price movements in the underlying securities are such that exercise of the options would not be profitable for a Fund, loss of the premium paid may be offset by an increase in the value of a Fund's securities or by a decrease in the cost of acquisition of securities by a Fund.

A Fund may write covered call options on securities as a means of increasing the yield on its assets and as a means of providing limited protection against decreases in its market value. When a Fund writes an option, if the underlying securities do not increase or decrease to a price level that would make the exercise of the option profitable to the holder thereof, the option generally will expire without being exercised and a Fund will realize as profit the premium received for such option. When a call option of which a Fund is the writer is exercised, the Fund will be required to sell the underlying securities to the option holder at the strike price, and will not participate in any increase in the price of such securities above the strike price. When a put option of which a Fund is the writer is exercised, the Fund will be required to purchase the underlying securities at a price in excess of the market value of such securities.

A Fund may purchase and write options on an exchange or over-the-counter. Over-the-counter options ("OTC options") differ from exchange-traded options in several respects. They are transacted directly with dealers and not with a clearing corporation, and therefore entail the risk of non-performance by the dealer. OTC options are available for a greater variety of securities and for a

wider range of expiration dates and exercise prices than are available for exchange-traded options. Because OTC options are not traded on an exchange, pricing is done normally by reference to information from a market maker. It is the SEC's position that OTC options are generally illiquid.

The market value of an option generally reflects the market price of an underlying security. Other principal factors affecting market value include supply and demand, interest rates, the pricing volatility of the underlying security and the time remaining until the expiration date.

Risks associated with options transactions include: (1) the success of a hedging strategy may depend on an ability to predict movements in the prices of individual securities, fluctuations in markets and movements in interest rates; (2) there may be an imperfect correlation between the movement in prices of options and the securities underlying them; (3) there may not be a liquid secondary market for options; and (4) while a Fund will receive a premium when it writes covered call options, it may not participate fully in a rise in the market value of the underlying security.

ILLIQUID SECURITIES

While none of the Funds anticipates doing so, each Fund may purchase illiquid securities, including securities that are not readily marketable and securities that are not registered ("restricted securities") under the Securities Act of 1933, as amended (the "1933 Act"), but which can be offered and sold to "qualified institutional buyers" under Rule 144A under the 1933 Act. A Fund will not invest more than 15% of the Fund's net assets in illiquid securities. If the percentage of a Fund's net assets invested in illiquid securities exceeds 15% due to market activity, the Fund will take appropriate measures to reduce its holdings of illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary

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course of business at approximately the amount at which the Fund has valued the securities. Under the current guidelines of the staff of the Securities and Exchange Commission (the "SEC"), illiquid securities also are considered to include, among other securities, purchased over-the-counter options, certain cover for over-the-counter options, repurchase agreements with maturities in excess of seven days, and certain securities whose disposition is restricted under the federal securities laws. A Fund may not be able to sell illiquid securities when the Advisor considers it desirable to do so or may have to sell such securities at a price that is lower than the price that could be obtained if the securities were more liquid. In addition, the sale of illiquid securities also may require more time and may result in higher dealer discounts and other selling expenses than does the sale of securities that are not illiquid. Illiquid securities also may be more difficult to value due to the unavailability of reliable market quotations for such securities, and investment in illiquid securities may have an adverse impact on net asset value.

Institutional markets for restricted securities have developed as a result of the promulgation of Rule 144A under the 1933 Act, which provides a "safe harbor" from 1933 Act registration requirements for qualifying sales to institutional investors. When Rule 144A restricted securities present an attractive investment opportunity and meet other selection criteria, a Fund may make such investments whether or not such securities are "illiquid" depending on the market that exists for the particular security. The board of trustees of the Trust (the "Board") have delegated the responsibility for determining the liquidity of Rule 144A restricted securities, which may be invested in by a Fund, to the Advisor.

INVESTMENTS IN OTHER INVESTMENT COMPANIES

While the Master Funds do not anticipate doing so, the Funds may invest in the securities of other investment companies to the extent that such an investment would be consistent with the requirements of Section 12(d)(1) of the 1940 Act. A Fund, therefore, may invest in the securities of another investment company (the "acquired company") provided that the Fund, immediately after such purchase or acquisition, does not own in the aggregate: (i) more than 3% of the total outstanding voting stock of the acquired company; (ii) securities issued by the acquired company having an aggregate value in excess of 5% of the value of the total assets of the Fund; or (iii) securities issued by the acquired company and all other investment companies (other than Treasury stock of the Fund) having an aggregate value in excess of 10% of the value of the total assets of the Fund. A Fund may also invest in the securities of other investment companies if such securities are the only investment securities held by the Fund, such as through a master-feeder arrangement. Each Feeder Fund currently pursues its respective investment objective through such an arrangement.

If a Fund invests in, and, thus, is a shareholder of, another investment company, the Fund's shareholders will indirectly bear the Fund's proportionate share of the fees and expenses paid by such other investment company, including advisory fees, in addition to both the management fees payable directly by the

Fund to the Fund's own investment adviser and the other expenses that the Fund bears directly in connection with the Fund's own operations.

LENDING OF PORTFOLIO SECURITIES

Subject to the investment restrictions set forth below, each of the Funds may lend portfolio securities to brokers, dealers, and financial institutions, provided that cash equal to at least 100% of the market value of the securities loaned is deposited by the borrower with the Fund and is maintained each business day in a segregated account pursuant to applicable regulations. While such securities are on loan, the borrower will pay the lending Fund any income accruing thereon, and the Fund may invest the cash collateral in portfolio securities, thereby earning additional income. A Fund will not lend its portfolio securities if such loans are not permitted by the laws or

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regulations of any state in which the Fund's shares are qualified for sale, and the Funds will not lend more than 33(1)/3% of the value of the Fund's total assets. Loans would be subject to termination by the lending Fund on four business days' notice, or by the borrower on one day's notice. Borrowed securities must be returned when the loan is terminated. Any gain or loss in the market price of the borrowed securities, which occurs during the term of the loan inures to the lending Fund and that Fund's shareholders. A lending Fund may pay reasonable finders, borrowers, administrative, and custodial fees in connection with a loan.

PORTFOLIO TURNOVER

As discussed in the Trust's Prospectuses, the Trust anticipates that investors in the Funds, as part of an asset allocation investment strategy, will frequently purchase and/or redeem shares of the Funds. The nature of the Funds as asset allocation tools will cause the Funds to experience substantial portfolio turnover. (See "Rydex Account Policies" and "Financial Highlights" in the Trust's Prospectuses). Because each Fund's portfolio turnover rate to a great extent will depend on the purchase, redemption, and exchange activity of the Fund's investors, it is very difficult to estimate what the Fund's actual turnover rate will be in the future. However, the Trust expects that the portfolio turnover experienced by the Funds will be substantial.

"Portfolio Turnover Rate" is defined under the rules of the SEC as the value of the securities purchased or securities sold, excluding all securities whose maturities at the time of acquisition were one year or less, divided by the average monthly value of such securities owned during the year. Based on this definition, instruments with remaining maturities of less than one year are excluded from the calculation of the portfolio turnover rate. Instruments excluded from the calculation of portfolio turnover generally would include the futures contracts and option contracts in which the Funds invest since such contracts generally have remaining maturities of less than one year.

REPURCHASE AGREEMENTS

As discussed in the Trust's Prospectuses, each of the Funds may enter into repurchase agreements with financial institutions. The Funds each follow certain procedures designed to minimize the risks inherent in such agreements. These procedures include effecting repurchase transactions only with large, well-capitalized and well-established financial institutions whose condition will be continually monitored by the Advisor. In addition, the value of the collateral underlying the repurchase agreement will always be at least equal to the repurchase price, including any accrued interest earned on the repurchase agreement. In the event of a default or bankruptcy by a selling financial institution, a Fund will seek to liquidate such collateral. However, the exercising of each Fund's right to liquidate such collateral could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss. It is the current policy of each of the Funds not to invest in repurchase agreements that do not mature within seven days if any such investment, together with any other illiquid assets held by the Fund, amounts to more than 15% of the Fund's total assets. The investments of each of the Funds in repurchase agreements, at times, may be substantial when, in the view of the Advisor, liquidity or other considerations so warrant.

REVERSE REPURCHASE AGREEMENTS

Each Fund may use reverse repurchase agreements as part of its investment strategy. Reverse repurchase agreements involve sales by a Fund of portfolio assets concurrently with an agreement by the Fund to repurchase the same assets at a later date at a fixed price. Generally, the effect of such a transaction is that the Fund can recover all or most of the cash invested in the portfolio securities involved during the term of the reverse repurchase agreement, while the Fund will be able to keep the interest income associated with those portfolio securities. Such transactions are advantageous only if the interest cost to the Fund of the reverse repurchase transaction is less than

the cost of obtaining the cash otherwise. Opportunities to achieve this advantage may not always be available, and the Funds intend to use the reverse repurchase technique only when this will be advantageous to the Funds. Each Fund will establish a segregated account with the Trust's custodian bank in which the Fund will maintain cash or cash equivalents or other portfolio securities equal in value to the Fund's obligations in respect of reverse repurchase agreements.

SHORT SALES

The Tempest 500 Fund, Tempest 500 Master Fund, Venture 100 Fund, Venture 100 Master Fund, Inverse Dynamic Dow 30 Fund and Inverse Dynamic Dow 30 Master Fund also may engage in short sales transactions under which the Fund sells a security it does not own. To complete such a transaction, the Fund must borrow the security to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the Fund is required to pay to the lender amounts equal to any dividends or interest, which accrue during the period of the loan. To borrow the security, the Fund also may be required to pay a premium, which would increase the cost of the security sold. The proceeds of the short sale will be retained by the broker, to the extent necessary to meet the margin requirements, until the short position is closed out.

Until the Tempest 500 Fund, Tempest 500 Master Fund, Venture 100 Fund, Venture 100 Master Fund, Inverse Dynamic Dow 30 Fund and Inverse Dynamic Dow 30 Master Fund closes its short position or replaces the borrowed security, the Fund will: (a) maintain a segregated account containing cash or liquid securities at such a level that (i) the amount deposited in the account plus the amount deposited with the broker as collateral will equal the current value of the security sold short and (ii) the amount deposited in the segregated account plus the amount deposited with the broker as collateral will not be less than the market value of the security at the time the security was sold short; or (b) otherwise cover the Fund's short position. Each of the Funds may use up to 100% of its portfolio to engage in short sales transactions and collateralize its open short positions.

The Titan 500 Fund, Titan 500 Master Fund, Velocity 100 Fund, Velocity 100 Master Fund, Inverse Dynamic Dow 30 Fund and Inverse Dynamic Dow 30 Master Fund each may engage in short sales if, at the time of the short sale, the Fund owns or has the right to acquire an equal amount of the security being sold at no additional cost. While none of these Funds currently expect to do so, these Funds may make a short sale when the Fund wants to sell the security it owns at a current attractive price, in order to hedge or limit the exposure of the Fund's position.

STOCK INDEX FUTURES CONTRACTS

A Fund may buy and sell stock index futures contracts with respect to any stock index traded on a recognized stock exchange or board of trade. A stock index futures contract is a contract to buy or sell units of an index at a specified future date at a price agreed upon when the contract is made. The stock index futures contract specifies that no delivery of the actual stocks making up the index will take place. Instead, settlement in cash must occur upon the termination of the contract, with the settlement being the difference between the contract price and the actual level of the stock index at the expiration of the contract.

At the time a Fund purchases a futures contract, an amount of cash, U.S. Government securities or other liquid securities equal to the market value of the futures contract will be deposited in a segregated account with the Fund's custodian. When writing a futures contract, the Fund will maintain with its custodian liquid assets that, when added to the amounts deposited with a futures commission merchant or broker as margin, are equal to the market value of the instruments underlying the contract. Alternatively, a Fund may "cover" its position by owning the instruments

underlying the contract (or, in the case of an index futures contract, a portfolio with a volatility substantially similar to that of the index on which the futures contract is based), or holding a call option permitting the Fund to purchase the same futures contract at a price no higher than the price of the contract written by the Fund (or at a higher price if the difference is maintained in liquid assets with the Fund's custodian).

SWAP AGREEMENTS

The Funds may enter into swap agreements. A Fund may utilize swap agreements in an attempt to gain exposure to the stocks making up an index of securities in a market without actually purchasing those stocks, or to hedge a position. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount," I.E., the return on or increase in value of a particular dollar amount invested in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or "cap," interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified level, or "floor"; and interest rate dollars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Most swap agreements entered into by the Funds calculate the obligations of the parties to the agreement on a "net basis." Consequently, a Fund's current obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

A Fund's current obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Fund) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by segregating assets determined to be liquid. Obligations under swap agreements so covered will not be construed to be "senior securities" for purposes of a Fund's investment restriction concerning senior securities. [Because they are two party contracts and because they may have terms of greater than seven days, swap agreements may be considered to be illiquid for the Fund illiquid investment limitations.] A Fund will not enter into any swap agreement unless the Advisor believes that the other party to the transaction is creditworthy. A Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty.

Each Fund may enter into swap agreements to invest in a market without owning or taking physical custody of securities in circumstances in which direct investment is restricted for legal reasons or is otherwise impracticable. The counterparty to any swap agreement will typically be a bank, investment banking firm or broker/dealer. The counterparty will generally agree to pay the Fund the amount, if any, by which the notional amount of the swap agreement would have increased in value had it been invested in the particular stocks, plus the dividends that would have been received on those stocks. The Fund will agree to pay to the counterparty a floating rate of interest on the notional amount of the swap agreement plus the amount, if any, by which the notional amount would have decreased in value had it been invested in such stocks. Therefore, the return to the Fund on any swap agreement should be the gain or loss on the notional amount plus dividends on the stocks less the interest paid by the Fund on the notional amount.

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Swap agreements typically are settled on a net basis, which means that the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the net amount of the two payments. Payments may be made at the conclusion of a swap agreement or periodically during its term. Swap agreements do not involve the delivery of securities or other underlying assets. Accordingly, the risk of loss with respect to swap agreements is limited to the net amount of payments that a Fund is contractually obligated to make. If the other party to a swap agreement defaults, a Fund's risk of loss consists of the net amount of payments that such Fund is contractually entitled to receive, if any. The net amount of the excess, if any, of a Fund's obligations over its entitlements with respect to each equity swap will be accrued on a daily basis and an amount of cash or liquid assets, having an aggregate net asset value at least equal to such accrued excess will be maintained in a segregated account by a Fund's custodian. Inasmuch as these transactions are entered into for hedging purposes or are offset by segregated cash of liquid assets, as permitted by applicable law, the Funds and their Advisor believe that these transactions do not constitute senior securities under the 1940 Act and, accordingly, will not treat them as being subject to a Fund's borrowing restrictions.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid in comparison with the markets for other similar instruments, which are traded in the over-the-counter market. The Advisor, under the supervision of the Board, is responsible for determining and monitoring the liquidity of Fund transactions in swap agreements.

The use of equity swaps is a highly specialized activity, which involves investment techniques and risks different from those associated with ordinary portfolio securities transactions.

TRACKING ERROR

The following factors may affect the ability of the Funds to achieve correlation with the performance of their respective benchmarks: (1) Fund expenses, including brokerage (which may be increased by high portfolio turnover); (2) a Fund holding less than all of the securities in the benchmark and/or securities not included in the benchmark; (3) an imperfect correlation between the performance of instruments held by a Fund, such as futures contracts and options, and the performance of the underlying securities in the market; (4) bid-ask spreads (the effect of which may be increased by portfolio turnover); (5) a Fund holding instruments traded in a market that has become illiquid or disrupted; (6) Fund share prices being rounded to the nearest cent; (7) changes to the index underlying a benchmark that are not disseminated in advance; (8) the need to conform a Fund's portfolio holdings to comply with investment restrictions or policies or regulatory or tax law requirements; or (9) market movements that run counter to a leveraged Fund's investments. Market movements that run counter to a leveraged Fund's investments will cause some divergence between the Fund and its benchmark over time due to the mathematical effects of leveraging. The magnitude of the divergence is dependent upon the magnitude of the market movement, its duration, and the degree to which the Fund is leveraged. The tracking error of a leveraged Fund is generally small during a well-defined up trend or downtrend in the market when measured from price peak to price peak, absent a market decline and subsequent recovery, however, the deviation of the Fund from its benchmark may be significant.

U.S. GOVERNMENT SECURITIES

The Funds may invest in U.S. Government Securities. Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities include U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Treasury and which differ only in their interest rates,

maturities, and times of issuance. U.S. Treasury bills have initial maturities of one year or less; U.S. Treasury notes have initial maturities of one to ten years; and U.S. Treasury bonds generally have initial maturities of greater than ten years. Certain U.S. Government Securities are issued or guaranteed by agencies or instrumentalities of the U.S. Government including, but not limited to, obligations of U.S. Government agencies or instrumentalities such as Fannie Mae, the Government National Mortgage Association, the Small Business Administration, the Federal Farm Credit Administration, the Federal Home Loan Banks, Banks for Cooperatives (including the Central Bank for Cooperatives), the Federal Land Banks, the Federal Intermediate Credit Banks, the Tennessee Valley Authority, the Export-Import Bank of the United States, the Commodity Credit Corporation, the Federal Financing Bank, the Student Loan Marketing Association, and the National Credit Union Administration.

Some obligations issued or guaranteed by U.S. Government agencies and instrumentalities, including, for example, Government National Mortgage Association pass-through certificates, are supported by the full faith and credit of the U.S. Treasury. Other obligations issued by or guaranteed by federal agencies, such as those securities issued by Fannie Mae, are supported by the discretionary authority of the U.S. Government to purchase certain obligations of the federal agency, while other obligations issued by or guaranteed by federal agencies, such as those of the Federal Home Loan Banks, are supported by the right of the issuer to borrow from the U.S. Treasury, while the U.S. Government provides financial support to such U.S. Government-sponsored federal agencies, no assurance can be given that the U.S. Government will always do so, since the U.S. Government is not so obligated by law. U.S. Treasury notes and bonds typically pay coupon interest semi-annually and repay the principal at maturity.

WHEN-ISSUED AND DELAYED-DELIVERY SECURITIES

Each Fund, from time to time, in the ordinary course of business, may purchase securities on a when-issued or delayed-delivery basis (I.E., delivery and payment can take place between a month and 120 days after the date of the transaction). These securities are subject to market fluctuation and no interest accrues to the purchaser during this period. At the time a Fund makes the commitment to purchase securities on a when-issued or delayed-delivery basis, the Fund will record the transaction and thereafter reflect the value of the securities, each day, of such security in determining the Fund's net asset value. A Fund will not purchase securities on a when-issued or delayed-delivery basis if, as a result, more than 15% of the Fund's net assets would be so invested. At the time of delivery of the securities, the value of the securities may be more or less than the purchase price. The Fund will also establish a

segregated account with the Fund's custodian bank in which the Fund will maintain cash or liquid securities equal to or greater in value than the Fund's purchase commitments for such when-issued or delayed-delivery securities. The Trust does not believe that a Fund's net asset value or income will be adversely affected by the Fund's purchase of securities on a when-issued or delayed-delivery basis.

INVESTMENT RESTRICTIONS

FUNDAMENTAL POLICIES

The following investment limitations are fundamental policies of the Funds, which cannot be changed with respect to a Fund without the consent of the holders of a majority of that Fund's outstanding shares. The term "majority of the outstanding shares" means the vote of (i) 67% or more of a Fund's shares present at a meeting, if more than 50% of the outstanding shares of that Fund are present or represented by proxy, or (ii) more than 50% of that Fund's outstanding shares, whichever is less.

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Each Fund shall not:

1. Borrow money in an amount exceeding 33(1)/3% of the value of its total assets, provided that, for purposes of this limitation, investment strategies which either obligate the Fund to purchase securities or require the Fund to segregate assets are not considered to be borrowing. Asset coverage of a least 300% is required for all borrowing, except where the Fund has borrowed money for temporary purposes in amounts not exceeding 5% of its total assets. The Fund will not purchase securities while its borrowing exceeds 5% of its total assets.
2. Make loans if, as a result, more than 33(1)/3% of its total assets would be lent to other parties, except that the Fund may (i) purchase or hold debt instruments in accordance with its investment objective and policies; (ii) enter into repurchase agreements; and (iii) lend its securities.
3. Act as an underwriter of securities of other issuers except as it may be deemed an underwriter in selling a portfolio security.
4. Invest in interests in oil, gas, or other mineral exploration or development programs and oil, gas or mineral leases.
5. Issue senior securities (as defined in the 1940 Act) except as permitted by rule, regulation or order of the SEC.
6. Purchase or sell real estate, physical commodities, or commodities contracts, except that the Fund may purchase (i) marketable securities issued by companies which own or invest in real estate (including real estate investment trusts), commodities, or commodities contracts; and (ii) commodities contracts relating to financial instruments, such as financial futures contracts and options on such contracts.
7. Invest 25% or more of the value of the Fund's total assets in the securities of one or more issuers conducting their principal business activities in the same industry; except that, to the extent the benchmark selected for a particular Fund is concentrated in a particular industry, the Fund will necessarily be concentrated in that industry. This limitation does not apply to investments or obligations of the U.S. Government or any of its agencies or instrumentalities, or shares of investment companies.

NON-FUNDAMENTAL POLICIES

The following investment limitations are non-fundamental policies of the Funds and may be changed with respect to any Fund by the Board.

Each Fund shall not:

1. Invest in warrants.
2. Invest in real estate limited partnerships.
3. Invest in mineral leases.

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4. Pledge, mortgage or hypothecate assets except to secure permitted borrowings or related to the deposit of assets in escrow or the posting of collateral in segregated accounts in compliance with the SEC's position regarding the asset segregation requirements imposed by Section 18 of the 1940 Act.
5. Invest in companies for the purpose of exercising control.
6. Purchase securities on margin or effect short sales, except that a Fund may (i) obtain short-term credits as necessary for the clearance of security transactions; (ii) provide initial and variation margin payments in connection with transactions involving futures contracts and options on such contracts; and (iii) make short sales "against the box" or in compliance with the SEC's position regarding the asset segregation requirements imposed by Section 18 of the 1940 Act.
7. Invest its assets in securities of any investment company, except as permitted by the 1940 Act or any rule, regulation or order of the SEC.
8. Purchase or hold illiquid securities, I.E., securities that cannot be disposed of for their approximate carrying value in seven days or less (which term includes repurchase agreements and time deposits maturing in more than seven days) if, in the aggregate, more than 15% of its net assets would be invested in illiquid securities.

The Long Dynamic Dow 30 Fund may not:

9. Change its investment strategy to invest at least 80% of its assets in financial instruments with economic characteristics that should perform similarly to those of its underlying index, without 60 days' prior notice to shareholders.

The Inverse Dynamic Dow 30 Fund may not:

10. Change its investment strategy to invest at least 80% of its assets in financial instruments with economic characteristics that should perform opposite to those of its underlying index, without 60 days' prior notice to shareholders.

With respect to both the fundamental and non-fundamental policies of the Funds, the foregoing percentages: (i) are based on total assets (except for the limitation on illiquid securities, which is based on net assets); (ii) will apply at the time of the purchase of a security; and (iii) shall not be considered violated unless an excess or deficiency occurs or exists immediately after and as a result of a purchase of such security, except for the fundamental limitation on borrowing described in paragraph 1 above, under the heading "Fundamental Policies." With respect to borrowings in accordance with the limitations set forth in paragraph 1, in the event that such asset coverage shall at any time fall below 300 per centum, a Fund must reduce the amount of its borrowings to an extent that the asset coverage of such borrowings shall be at least 300 per centum within three days thereafter.

BROKERAGE ALLOCATION AND OTHER PRACTICES

BROKERAGE TRANSACTIONS. Generally, equity securities are bought and sold through brokerage transactions for which commissions are payable. Purchases from underwriters will include the underwriting commission or concession, and purchases from dealers serving as market makers will include a dealer's mark-up or reflect a dealer's mark-down. Money Market Securities and other

debt securities are usually bought and sold directly from the issuer or an underwriter or market maker for the securities. Generally, a Fund will not pay brokerage commissions for such purchases. When a debt security is bought from an underwriter, the purchase price will usually include an underwriting commission or concession. The purchase price for securities bought from dealers serving as market makers will similarly include the dealer's mark up or reflect a dealer's mark down. When a Fund executes transactions in the over-the-counter market, it will generally deal with primary market makers unless prices that are more favorable are otherwise obtainable.

In addition, the Advisor may place a combined order, often referred to as "bunching," for two or more accounts it manages, including a Fund, engaged in the purchase or sale of the same security or other instrument if, in its judgment, joint execution is in the best interest of each participant and will result in best price and execution. Transactions involving commingled orders are allocated in a manner deemed equitable to each account or fund. Although it is

recognized that, in some cases, the joint execution of orders could adversely affect the price or volume of the security that a particular account or the Fund may obtain, it is the opinion of the Advisor and the Trust's Board that the advantages of combined orders outweigh the possible disadvantages of separate transactions. In addition, in some instances the Fund effecting the larger portion of a combined order may not benefit to the same extent as participants effecting smaller portions of the combined order. Nonetheless, the Advisor believes that the ability of a Fund to participate in higher volume transactions will generally be beneficial to the Fund.

For the fiscal years ended December 31, 2002, 2003, and 2004 the Funds paid the following brokerage commissions:

<TABLE>
<CAPTION>

FUND NAME*	FUND INCEPTION DATE	AGGREGATE BROKERAGE COMMISSIONS DURING FISCAL YEAR ENDED 2002	AGGREGATE BROKERAGE COMMISSIONS DURING FISCAL YEAR ENDED 2003	AGGREGATE BROKERAGE COMMISSIONS DURING FISCAL YEAR ENDED 2004
<S>	<C>	<C>	<C>	<C>
Titan 500	05/19/00	\$8,797,851	\$1,543,494	\$580,116
Tempest 500	05/19/00	\$433,743	\$937,667	\$367,650
Velocity 100	05/24/00	\$536,984	\$1,869,794	\$1,027,434
Venture 100	05/23/00	\$448,976	\$509,450	\$595,808
Long Dynamic Dow 30	02/20/04	N/A	N/A	\$91,443
Inverse Dynamic Dow 30	02/20/04	N/A	N/A	\$33,121

</TABLE>

*AMOUNTS SHOWN REPRESENT COMMISSION PAYMENTS BY THE MASTER FUNDS.

BROKERAGE SELECTION. The Trust does not expect to use one particular broker or dealer, and when one or more brokers is believed capable of providing the best combination of price and execution, the Funds' Advisor may select a broker based upon brokerage or research services provided to the Advisor. The Advisor may pay a higher commission than otherwise obtainable from other brokers in return for such services only if a good faith determination is made that the commission is reasonable in relation to the services provided.

Section 28(e) of the Securities Exchange Act of 1934 ("1934 Act") permits the Advisor, under certain circumstances, to cause each Fund to pay a broker or dealer a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged for

effecting the transaction in recognition of the value of brokerage and research services provided by the broker or dealer. In addition to agency transactions, the Advisor may receive brokerage and research services in connection with certain riskless principal transactions, in accordance with applicable SEC guidance. Brokerage and research services include: (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). In the case of research services, the Advisor believes that access to independent investment research is beneficial to their investment decision-making processes and, therefore, to each Fund.

To the extent research services may be a factor in selecting brokers, such services may be in written form or through direct contact with individuals and may include information as to particular companies and securities as well as market, economic, or institutional areas and information which assists in the valuation and pricing of investments. Examples of research-oriented services for which the Advisor might utilize Fund commissions include research reports and other information on the economy, industries, sectors, groups of securities, individual companies, statistical information, political developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance and other analysis. The Advisor may use research services furnished by brokers in servicing all client accounts and not all services may necessarily be used in connection with the account that paid commissions to the broker providing such services. Information so received by the Advisor will be

in addition to and not in lieu of the services required to be performed by the Funds' Advisor under the Advisory Agreement. Any advisory or other fees paid to the Advisor are not reduced as a result of the receipt of research services.

In some cases the Advisor may receive a service from a broker that has both a "research" and a "non-research" use. When this occurs, the Advisor makes a good faith allocation, under all the circumstances, between the research and non-research uses of the service. The percentage of the service that is used for research purposes may be paid for with client commissions, while the Advisor will use its own funds to pay for the percentage of the service that is used for non-research purposes. In making this good faith allocation, the Advisor faces a potential conflict of interest, but the Advisor believes that its allocation procedures are reasonably designed to ensure that it appropriately allocates the anticipated use of such services to their research and non-research uses.

From time to time, a Fund may purchase new issues of securities for clients in a fixed price offering. In these situations, the seller may be a member of the selling group that will, in addition to selling securities, provide the Advisor with research services. The NASD has adopted rules expressly permitting these types of arrangements under certain circumstances. Generally, the seller will provide research "credits" in these situations at a rate that is higher than that which is available for typical secondary market transactions. These arrangements may not fall within the safe harbor of Section 28(e).

For the Trust's fiscal year ended December 31, 2004, the Funds paid the following commissions on brokerage transactions directed to brokers pursuant to an agreement or understanding whereby the broker provides research or other brokerage services to the Advisor:

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FUND NAME*	TOTAL DOLLAR AMOUNT OF BROKERAGE COMMISSIONS FOR RESEARCH SERVICES	TOTAL DOLLAR AMOUNT OF TRANSACTIONS INVOLVING BROKERAGE COMMISSIONS FOR RESEARCH SERVICES
Long Dynamic Dow 30	\$3,828.12	\$35,834,149.42
Titan 500	\$43,979.28	\$309,356,531.71
Velocity 100	\$81,345.66	\$482,519,112.47

*AMOUNTS SHOWN REPRESENT COMMISSION PAYMENTS BY THE MASTER FUNDS.

BROKERAGE WITH FUND AFFILIATES. A Fund may execute brokerage or other agency transactions through registered broker-dealer affiliates of either the Fund, the Advisor or the Distributor for a commission in conformity with the 1940 Act, the 1934 Act and rules promulgated by the SEC. Under the 1940 Act and the 1934 Act, affiliated broker-dealers are permitted to receive and retain compensation for effecting portfolio transactions for the Fund on an exchange if a written contract is in effect between the affiliate and the Fund expressly permitting the affiliate to receive and retain such compensation. These rules further require that commissions paid to the affiliate by the Fund for exchange transactions not exceed "usual and customary" brokerage commissions. The rules define "usual and customary" commissions to include amounts which are "reasonable and fair compared to the commission, fee or other remuneration received or to be received by other brokers in connection with comparable transactions involving similar securities being purchased or sold on a securities exchange during a comparable period of time." The members of the Board, including those who are not "interested persons" of the Trust, have adopted procedures for evaluating the reasonableness of commissions paid to affiliates and review these procedures periodically.

For the fiscal year ended December 31, 2002, the Funds paid no brokerage commissions to affiliates. For the fiscal year ended December 31, 2003, the Funds paid no brokerage commissions to affiliates. For the fiscal year ended December 31, 2004, the Funds paid \$712.20 in brokerage commissions to affiliates.

SECURITIES OF "REGULAR BROKER-DEALERS." The Funds are required to identify any securities of its "regular brokers and dealers" (as such term is defined in the 1940 Act) which the Funds may hold at the close of their most recent fiscal year. "Regular brokers or dealers" of the Trust are the ten brokers or dealers that, during the most recent fiscal year, (i) received the greatest dollar amounts of brokerage commissions from the Trust's portfolio transactions, (ii)

engaged as principal in the largest dollar amounts of portfolio transactions of the Trust, or (iii) sold the largest dollar amounts of the Trust's shares. As of December 31, 2004, the following Funds held the following securities of the Trust's "regular brokers or dealers":

<TABLE>
<CAPTION>

FUND NAME*	FULL NAME OF BROKER/DEALER	TOTAL AMOUNT OF SECURITIES OF EACH REGULAR BROKER-DEALER HELD
<S>	<C>	<C>
Titan 500	UBS Financial Services, Inc.	\$74,972,619
	Lehman Brothers, Inc.	\$17,449,107
	Morgan Stanley	\$1,660,603
	U.S.Bancorp	\$1,597,633
	Goldman Sachs Group, Inc.	\$1,376,969
	Lehman Brothers, Inc.	\$643,853
	BB&T Corp.	\$634,534
	Bear Stearns Cos., Inc.	\$288,514
Tempest 500	UBS Financial Services, Inc.	\$93,428,222
	Lehman Brothers, Inc.	\$32,132,926
Velocity 100	UBS Financial Services, Inc.	\$55,676,527

</TABLE>

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<TABLE>
<CAPTION>

FUND NAME*	FULL NAME OF BROKER/DEALER	TOTAL AMOUNT OF SECURITIES OF EACH REGULAR BROKER-DEALER HELD
<S>	<C>	<C>
	Lehman Brothers, Inc.	\$20,806,779
Venture 100	UBS Financial Services, Inc.	\$102,145,658
	Lehman Brothers, Inc.	\$32,946,882
Long Dynamic Dow 30	UBS Financial Services, Inc.	\$10,252,155
	Lehman Brothers, Inc.	\$5,473,852
Inverse Dynamic Dow 30	UBS Financial Services, Inc.	\$13,524,818
	Lehman Brothers, Inc.	\$6,560,798

</TABLE>

*AMOUNTS SHOWN REPRESENT AMOUNTS HELD BY THE MASTER FUNDS.

MANAGEMENT OF THE TRUST

BOARD RESPONSIBILITIES. The management and affairs of the Trust and the Rydex Family of Funds are supervised by the Board under the laws of the State of Delaware. Each Board member is responsible for the 12 Funds in the Trust as well as other Funds in the Rydex Family of Funds, including the Funds of the Rydex Series Funds, the Rydex Variable Trust and the Rydex ETF Trust, that are described in separate prospectuses and SAIs. In total the Rydex Family of Funds is comprised of 87 Funds, each of which is overseen by the Board. The Board has approved contracts, as described below, under which certain companies provide essential management services to the Trust.

MEMBERS OF THE BOARD. Set forth below are the names, ages, position with the Trust, length of term of office, and the principal occupations for a minimum of the last five years of each of the persons currently serving as members of the Board. The members of the Board serve as Trustees for the life of the Trust or until retirement, removal, or their office is terminated pursuant to the Trust's Declaration of Trust. Unless otherwise noted, the business address of each Trustee is 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850.

INTERESTED TRUSTEE*

CARL G. VERBONCOEUR (52)

Trustee of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust and Rydex ETF Trust, 2004 to present; President of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust and Rydex ETF Trust, 2003 to present; Vice President of Rydex Series Funds, 1997 to 2003; Vice President of Rydex Dynamic Funds, 2000 to 2003; Vice President of Rydex Variable Trust, 2003 to present; Vice President of Rydex ETF Trust, calendar year 2003, Vice President of Rydex Capital Partners SPhinX Fund, 2003 to present; Treasurer of Rydex Series Funds and Rydex Variable Trust, 1997 to 2003; Treasurer of Rydex Dynamic Funds, 1999 to 2003; Treasurer of Rydex ETF Trust, 2002 to 2003; Treasurer of Rydex Capital Partners SPhinX Fund, calendar year 2003; Chief Executive Officer and Treasurer of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex Distributors, Inc., 2003 to present; Chief Executive Officer of Rydex Capital Partners I, LLC, investment adviser, 2004 to present; Treasurer of Rydex Capital Partners I, LLC, investment adviser, 2003 to present; President of PADCO Advisors, Inc., PADCO Advisors II, Inc., 2003 to 2004; President of Rydex Fund Services, Inc. and Rydex Distributors, Inc., 2003 to present; Executive Vice President of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex

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Distributors, Inc., 2000 to 2003; Executive Vice President of Rydex Capital Partners I, LLC, investment adviser, 2003 to present; Vice President of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex Distributors, Inc., 1997 to 2000; Senior Vice President, Crestar Bank, 1995 to 1997; Senior Vice President, Crestar Asset Management Company, a registered investment adviser, 1993 to 1995; Vice President of Perpetual Savings Bank, 1987 to 1993.

*DENOTES A TRUSTEE WHO MAY BE DEEMED TO BE AN "INTERESTED" PERSON OF THE FUNDS AS THAT TERM IS DEFINED IN THE 1940 ACT BY VIRTUE OF AFFILIATION WITH THE TRUST'S ADVISOR.

INDEPENDENT TRUSTEES

COREY A. COLEHOUR (59)

Trustee of Rydex Series Funds, 1993 to present; Trustee of Rydex Variable Trust, 1998 to present; Trustee of Rydex Dynamic Funds, 1999 to present; Trustee of Rydex ETF Trust, 2003 to present; Partner of Star Schield Tactical Allocation Research, a registered investment adviser, 2003 to present.

J. KENNETH DALTON (64)

Trustee of Rydex Series Funds, 1995 to present; Trustee of Rydex Variable Trust, 1998 to present; Trustee of Rydex Dynamic Funds, 1999 to present; Trustee of Rydex ETF Trust, 2003 to present; Mortgage Banking Consultant and Investor, The Dalton Group, a real estate company, 1995 to present; President, CRAM Mortgage Group, Inc., 1966 to 1995.

JOHN O. DEMARET (65)

Trustee of Rydex Series Funds, 1997 to present; Trustee of Rydex Variable Trust, 1998 to present; Trustee of Rydex Dynamic Funds, 1999 to present; Trustee of Rydex ETF Trust, 2003 to present; Founder and Chief Executive Officer, Health Cost Controls America, Chicago, Illinois, 1987 to 1996; sole practitioner, Chicago, Illinois, 1984 to 1987; General Counsel for the Chicago Transit Authority, 1981 to 1984; Senior Partner, O'Halloran, LaVarre & Demaret, Northbrook, Illinois, 1978 to 1981.

PATRICK T. MCCARVILLE (62)

Trustee of Rydex Series Funds, 1997 to present; Trustee of Rydex Variable Trust, 1998 to present; Trustee of Rydex Dynamic Funds, 1999 to present; Trustee of Rydex ETF Trust, 2003 to present; Founder and Chief Executive Officer, Par Industries, Inc., Northbrook, Illinois, 1977 to present; President and Chief Executive Officer, American Health Resources, Northbrook, Illinois, 1984 to 1986.

ROGER SOMERS (60)

Trustee of Rydex Series Funds, 1993 to present; Trustee of Rydex Variable Trust, 1998 to present; Trustee of Rydex Dynamic Funds, 1999 to present; Trustee of Rydex ETF Trust, 2003 to present; President, Arrow Limousine, 1963 to present.

BOARD STANDING COMMITTEES. The Board has established the following standing committees:

AUDIT COMMITTEE. The Board has a standing Audit Committee that is composed of each of the independent trustees of the Trust. The Audit Committee operates under a written charter approved by the Board. The principal responsibilities of the Audit Committee include: recommending which firm to engage as the Trust's independent auditor and whether to terminate this relationship; reviewing the independent auditors' compensation, the proposed scope and terms of its engagement, and the firm's independence; serving as a channel of communication between the

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independent auditor and the Board; reviewing the results of each external audit, including any qualifications in the independent auditors' opinion, any related management letter, management's responses to recommendations made by the independent auditors in connection with the audit, reports submitted to the Committee by the internal auditing department of the Trust's Servicer that are material to the Trust as a whole, if any, and management's responses to any such reports; reviewing the Trust's audited financial statements and considering any significant disputes between the Trust's management and the independent auditor that arose in connection with the preparation of those financial statements; considering, in consultation with the independent auditors and the Trust's senior internal accounting executive, if any, the independent auditors' report on the adequacy of the Trust's internal financial controls; reviewing, in consultation with the Trust's independent auditors, major changes regarding auditing and accounting principles and practices to be followed when preparing the Trust's financial statements; and other audit related matters. Messrs. Colehour, Dalton, Demaret, McCarville, and Somers currently serve as members of the Audit Committee. The Audit Committee meets periodically, as necessary, and met 4 times in the most recently completed fiscal year.

NOMINATING COMMITTEE. The Board has a standing Nominating Committee that is composed of each of the independent trustees of the Trust. The Nominating Committee operates under a written charter approved by the Board. The principal responsibility of the Nominating Committee is to consider, recommend and nominate candidates to fill vacancies on the Trust's Board, if any. The Nominating Committee does not have specific procedures in place to consider nominees recommended by shareholders, but would consider such nominees if submitted in accordance with Rule 14a-8 of the 1934 Act in conjunction with a shareholder meeting to consider the election of the Board. Messrs. Colehour, Dalton, Demaret, McCarville and Somers serve as members of the Nominating Committee. The Nominating Committee met one time during the most recently completed fiscal year.

BOARD CONSIDERATIONS IN APPROVING THE ADVISORY AGREEMENT. The investment advisory agreement must be specifically approved at least annually (i) by the vote of the Board or by a vote of the shareholders of the Fund and (ii) by the vote of a majority of the members of the Board who are not parties to the investment advisory agreement or "interested persons" of any party thereto, cast in person at a meeting called for the purpose of voting on such approval. Each year, the Board calls and holds a meeting to decide whether to renew the investment advisory agreement for the upcoming year. In preparation for the meeting, the Board requests and reviews a wide variety of information from the Advisor. The Board uses this information, as well as information that other Fund service providers may submit to the Board, to help them decide whether to renew the investment advisory agreement for another year.

Before this year's meeting, the Board requested and received written materials from the Advisor about: (a) the quality of the Advisor's investment management and other services; (b) the Advisor's investment management personnel; (c) the Advisor's operations and financial condition; (d) the Advisor's brokerage practices (including any soft dollar arrangements) and investment strategies; (e) the level of the advisory fees that the Advisor charges each Fund compared with the fees it charges to comparable mutual funds or accounts (if any); (f) each Fund's overall fees and operating expenses compared with similar mutual funds; (g) the level of the Advisor's profitability from its Fund-related operations; (h) the Advisor's compliance systems; (i) the Advisor's policies on and compliance procedures for personal securities transactions; (j) the Advisor's reputation, expertise and resources in domestic financial markets; and (k) each Fund's performance compared with similar mutual funds.

At the meeting, representatives from the Advisor presented additional oral and written information to the Board to help the Board evaluate the Advisor's fee and other aspects of the investment

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advisory agreement. Other Fund service providers also provided the Board with

additional information at the meeting. The Board then discussed the written materials that the Board received before the meeting and the Advisor's oral presentation and any other information that the Board received at the meeting, and deliberated on the renewal of the investment advisory agreement in light of this information. In its deliberations, 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 described above, the Board, including all of the independent trustees, agreed that the Advisor had provided high quality services to the Funds in respect of such matters as managing the Funds' portfolios in a manner consistent with the Funds' respective investment objectives, as well as providing transfer agency services, fund accounting services and other services to Fund investors in a manner that meets the needs of investors. In addition, the Board found that the fees charged by the Advisor for the services provided to the Funds were reasonable in light of the costs of the services, the profitability of the Advisor, and the fees charged by advisers to other comparable funds. As a result of these findings, the Board unanimously: (a) concluded that terms of the investment advisory agreement are fair and reasonable; (b) concluded that the Advisor's fees are reasonable in light of the services that the Advisor provides to the Fund; and (c) agreed to renew the investment advisory agreement for another year.

FUND SHARES OWNED BY BOARD MEMBERS. The following table shows the dollar amount range of each Trustee's "beneficial ownership" of shares of each Fund and all Rydex Funds as of the end of the most recently completed calendar year. Shares of the Master Funds are not available for purchase by individuals. Dollar amount ranges disclosed are established by the SEC. "Beneficial ownership" is determined in accordance with Rule 16a-1(a)(2) under the 1934 Act. The Board and the officers of the Trust own less than 1% of the outstanding shares of the Trust.

<TABLE>

<CAPTION>

NAME	DOLLAR RANGE OF FUND SHARES (RYDEX DYNAMIC FUNDS ONLY)	AGGREGATE DOLLAR RANGE OF SHARES IN ALL RYDEX FUNDS OVERSEEN BY TRUSTEE
<S>	<C>	<C>
Carl G. Verboncoeur*	\$10,001 - \$50,000	over \$100,000
Corey A. Colehour	\$0	over \$100,000
J. Kenneth Dalton	\$0	\$10,001 - \$50,000
John O. Demaret	\$50,001 - \$100,000	over \$100,000
Patrick T. McCarville	\$0	\$50,001 - \$100,000
Roger Somers	\$50,001 - \$100,000	over \$100,000

</TABLE>

*MR. VERBONCOEUR BECAME AN INTERESTED TRUSTEE, AS DEFINED ABOVE, ON APRIL 30, 2004.

BOARD COMPENSATION. The aggregate compensation paid by the Trust to each of the members of the Board serving during the fiscal year ended December 31, 2004, is set forth in the table below. Board members who are directors, officers or employees of the Advisor or any of its affiliated entities do not receive compensation from the Trust:

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<TABLE>

<CAPTION>

NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM TRUST	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF TRUST'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM FUND COMPLEX *
<S>	<C>	<C>	<C>	<C>
Carl Verboncoeur**	n/a	n/a	n/a	n/a
Corey A. Colehour, TRUSTEE	\$14,475	\$0	\$0	\$79,500

J. Kenneth Dalton, TRUSTEE	\$14,475	\$0	\$0	\$79,500
Roger Somers TRUSTEE	\$14,475	\$0	\$0	\$79,500
John O. Demaret, TRUSTEE	\$14,475	\$0	\$0	\$85,500
Patrick T. McCarville, TRUSTEE	\$14,475	\$0	\$0	\$79,500

</TABLE>

*REPRESENTS TOTAL COMPENSATION FOR SERVICE AS TRUSTEE OF THE RYDEX SERIES FUNDS, RYDEX DYNAMIC FUNDS, RYDEX VARIABLE TRUST AND RYDEX ETF TRUST AND, WITH RESPECT TO MR. DEMARET, COMPENSATION FOR SERVICE AS TRUSTEE OF THE RYDEX CAPITAL PARTNERS SPHINX FUND.

**MR. VERBONCOEUR BECAME AN INTERESTED TRUSTEE, AS DEFINED ABOVE, ON APRIL 30, 2004. AS AN OFFICER OF THE ADVISOR, HE DOES NOT RECEIVE COMPENSATION FROM THE TRUST.

TRUST OFFICERS. Set forth below are the names, ages, position with the Trust, length of term of office, and the principal occupations for a minimum of the last five years of each of the persons currently serving as Executive Officers of the Trust. Unless otherwise noted, the business address of each Officer is 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850. None of the Officers receive compensation from the Trust for their services.

CARL G. VERBONCOEUR (52)

Trustee of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust and Rydex ETF Trust, 2004 to present; President of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust and Rydex ETF Trust, 2003 to present; Vice President of Rydex Series Funds, 1997 to 2003; Vice President of Rydex Dynamic Funds, 2000 to 2003; Vice President of Rydex Variable Trust, 2003 to present; Vice President of Rydex ETF Trust, calendar year 2003, Vice President of Rydex Capital Partners SPhinX Fund, 2003 to present; Treasurer of Rydex Series Funds and Rydex Variable Trust, 1997 to 2003; Treasurer of Rydex Dynamic Funds, 1999 to 2003; Treasurer of Rydex ETF Trust, 2002 to 2003; Treasurer of Rydex Capital Partners SPhinX Fund, calendar year 2003; Chief Executive Officer and Treasurer of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex Distributors, Inc., 2003 to present; Chief Executive Officer of Rydex Capital Partners I, LLC, investment adviser, 2004 to present; Treasurer of Rydex Capital Partners I, LLC, investment adviser, 2003 to present; President of PADCO Advisors, Inc., PADCO Advisors II, Inc., 2003 to 2004; President of Rydex Fund Services, Inc. and Rydex Distributors, Inc., 2003 to present; Executive Vice President of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex Distributors, Inc., 2000 to 2003; Executive Vice President of Rydex Capital Partners I, LLC, investment adviser, 2003 to present; Vice President of PADCO Advisors, Inc.,

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PADCO Advisors II, Inc., Rydex Fund Services, Inc. and Rydex Distributors, Inc., 1997 to 2000; Senior Vice President, Crestar Bank, 1995 to 1997; Senior Vice President, Crestar Asset Management Company, a registered investment adviser, 1993 to 1995; Vice President of Perpetual Savings Bank, 1987 to 1993.

MICHAEL P. BYRUM (34)

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; Vice President of Rydex ETF Trust, 2002 to present; President and Trustee of Rydex Capital Partners SPhinX Fund, 2003 to present. Chief Operating Officer of PADCO Advisors, Inc., 2003 to 2004; President of PADCO Advisors, Inc. and PADCO Advisors II, Inc., 2004 to present; Executive Vice President of PADCO Advisors, Inc., 1993 to present; Senior Portfolio Manager of PADCO Advisors, Inc., 1993 to 2003; Chief Operating Officer of PADCO Advisors II, Inc., 2003 to present; Executive Vice President of PADCO Advisors II, Inc., 1996 to present; Senior Portfolio Manager of PADCO Advisors II, Inc., 1996 to 2003; President of Rydex Capital Partners I, LLC, investment adviser, 2003 to present; President of Rydex Capital Partners II, LLC, investment adviser, 2003 to present; Chief Operating Officer of Rydex Distributors, Inc. 2003 to present; Executive Vice President of Rydex Distributors, Inc. 1996 to present; Secretary of Rydex Distributors, Inc., 1996 to present; Investment Representative, Money Management Associates, a registered

investment adviser, 1992 to 1993.

NICK BONOS (41)

Vice President and Treasurer of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust and Rydex ETF Trust, 2003 to present; Senior Vice President of Rydex Fund Services, Inc., 2003 to present; Vice President of Accounting of Rydex Fund Services, Inc., 2000 to 2003; Vice President of Mutual Fund Services, State Street Corp., 1997 to 1999.

JOANNA M. HAIGNEY (38)

Chief Compliance Officer of Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust, Rydex ETF Trust and Rydex Capital Partners SPHinx Fund, 2004 to present; Secretary of Rydex Series Funds, Rydex Dynamic Funds and Rydex Variable Trust, 2000 to present; Secretary of Rydex ETF Trust, 2002 to present; Secretary of Rydex Capital Partners SPHinx Fund, 2003 to present. Vice President of Compliance of PADCO Advisors, Inc. and PADCO Advisors II, Inc., 2000 to present; Vice President Fund Administration, Chase Global Funds Services Co., a division of Chase Manhattan Bank NA, 1994 to 1999.

CODE OF ETHICS

The Board has adopted a Combined Code of Ethics (the "Code of Ethics") pursuant to Rule 17j-1 under the 1940 Act. The Advisor, Servicer and Distributor are also covered by the Code of Ethics. The Code of Ethics applies to the personal investing activities of trustees, directors, officers and certain employees ("access persons"). Rule 17j-1 and the Code of Ethics are designed to prevent unlawful practices in connection with the purchase or sale of securities by access persons. Under the Code of Ethics, access persons are permitted to engage in personal securities transactions, but are required to report their personal securities transactions for monitoring purposes. In addition,

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certain access persons are required to obtain approval before investing in initial public offerings or private placements. The Code of Ethics is on file with the SEC, and is available to the public.

PROXY VOTING

The Board has delegated responsibility for decisions regarding proxy voting for securities held by each Fund to the Advisor. The Advisor will vote such proxies in accordance with its proxy policies and procedures, which are included in Appendix A to this SAI. The Board will periodically review each Fund's proxy voting record.

The Trust annually discloses its complete proxy voting record on Form N-PX. The Trust's most recent Form N-PX is available upon request by calling 800.820.0888 or 301.296.5100 or by writing to Rydex Dynamic Funds at 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850. The Trust's Form N-PX is also available on the SEC's web site at www.sec.gov.

THE ADVISORY AGREEMENT

PADCO Advisors I, Inc., 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, provides portfolio management to each Fund pursuant to an advisory contract with the Trust. The Advisor was incorporated in the State of Maryland on July 5, 1994, together with PADCO II Advisors, Inc., a registered investment adviser under common control and does business under the name Rydex Investments (the "Advisor"). The voting common stock of the Advisor is held predominantly by a trust established by the late Albert P. Viragh, Jr., the founder of the Advisor, for the benefit of members of his family (the "Viragh Family Trust"). Under the 1940 Act, control of a company is presumed where one individual or group of individuals owns more than 25% of the voting stock of that company. Therefore, through its ownership of voting common stock, the Viragh Family Trust and/or its three trustees, Katherine A. Viragh, Mark S. Viragh and Roger E. Young, may be deemed, under the 1940 Act, to control the Advisor.

The Advisor manages the investment and the reinvestment of the assets of each of the Funds, in accordance with the investment objectives, policies, and limitations of the Fund, subject to the general supervision and control of the Board and the officers of the Trust. The Advisor bears all costs associated with providing these advisory services and the expenses of the members of the Board who are affiliated with or interested persons of the Advisor. The Advisor, from

its own resources, including profits from advisory fees received from the Funds, provided such fees are legitimate and not excessive, may make payments to broker-dealers and other financial institutions for their expenses in connection with the distribution of Fund shares, and otherwise currently pay all distribution costs for Fund shares.

Under an investment advisory agreement with the Advisor, dated April 30, 2004, the Advisor serves as the investment adviser for each series of the Trust and provides investment advice to the Funds and oversees the day-to-day operations of the Funds, subject to direction and control by the Board and the officers of the Trust. As of April 1, 2005, assets under management of the Advisor were approximately \$13 billion. Pursuant to the advisory agreement with the Advisor, the Funds pay the Advisor the following fees at an annual rate, which is calculated daily and paid monthly, at an annual rate of 0.90% of the average daily net assets of each Master Fund. The Advisor may, from time to time reimburse certain expenses of the Funds in order to limit the Funds' operating expenses as described in the Prospectuses.

For the fiscal years ended December 31, 2002, 2003 and 2004 the Advisor received the following investment advisory fees:

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<TABLE>
<CAPTION>

FUND NAME	FUND INCEPTION DATE	ADVISORY FEE	ADVISORY FEES PAID FOR FISCAL YEAR ENDED 2002	ADVISORY FEES PAID FOR FISCAL YEAR ENDED 2003	ADVISORY FEES PAID FOR FISCAL YEAR ENDED 2004
<S>	<C>	<C>	<C>	<C>	<C>
Titan 500	05/19/00	0.90%	\$1,246,242	\$1,802,976	\$3,174,901
Tempest 500	05/19/00	0.90%	\$2,167,544	\$4,522,173	\$3,555,042
Velocity 100	05/24/00	0.90%	\$1,751,183	\$3,079,740	\$4,948,104
Venture 100	05/23/00	0.90%	\$2,051,146	\$3,466,909	\$4,572,427
Long Dynamic Dow 30	02/20/04	0.90%	N/A	N/A	\$130,584
Inverse Dynamic Dow 30	02/20/04	0.90%	N/A	N/A	\$112,552

</TABLE>

PORTFOLIO MANAGERS

This section includes information about each Fund's portfolio managers, including information about other accounts they manage, the dollar range of Fund shares they own and how they are compensated.

OTHER ACCOUNTS MANAGED BY PORTFOLIO MANAGERS. In addition to the Funds, the portfolio managers are responsible for the day-to-day management of certain other accounts, as follows:

<TABLE>

<CAPTION>

NAME	REGISTERED INVESTMENT COMPANIES (1), (2)		OTHER POOLED INVESTMENT VEHICLES (1)		OTHER ACCOUNTS (1)	
	NUMBER OF ACCOUNTS	TOTAL ASSETS	NUMBER OF ACCOUNTS	TOTAL ASSETS	NUMBER OF ACCOUNTS	TOTAL ASSETS
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Michael P. Byrum	91	\$12.6 B	2	\$1.5 M	8	< \$5 M
William E. Flaig Jr.	90	\$12.3 B	0	N/A	14	< \$5 M
Jim King	91	\$12.6 B	0	N/A	3	< \$5 M

</TABLE>

(1) INFORMATION PROVIDED IS AS OF APRIL 12, 2005.

(2) THE PORTFOLIO MANAGERS MANAGE ONE ACCOUNT THAT IS SUBJECT TO A PERFORMANCE-BASED ADVISORY FEE. THE ACCOUNT HAD \$87.1 M IN ASSETS UNDER MANAGEMENT AS OF APRIL 12, 2005.

CONFLICTS OF INTEREST. The portfolio managers' management of "other accounts" may give rise to potential conflicts of interest in connection with their management of a Fund's investments, on the one hand, and the investments of the other accounts, on the other. The other accounts may have the same investment objective as one of the Funds. Therefore, a potential conflict of interest may arise as a result of the identical investment objectives, whereby the portfolio managers could favor one account over another. Another potential conflict could include the portfolio managers' knowledge about the size, timing and possible market impact of Fund trades, whereby a portfolio manager could use this information to the advantage of other accounts and to the disadvantage of a Fund. However, the Advisor has established policies and procedures to ensure that the purchase and sale of securities among all accounts it manages are fairly and equitably allocated.

PORTFOLIO MANAGER COMPENSATION. The Advisor compensates each portfolio manager for his management of the Funds. The portfolio managers' compensation consists of an annual salary and

a discretionary bonus. The amount of the discretionary bonus is determined by two components. The first component is a comparison of the portfolio manager's Fund performance relative to a mutual fund peer's performance and/or to the performance of applicable internal or external benchmarks. Mutual fund peers are those funds with similar investment objectives to the Fund managed by the portfolio manager. Mutual fund peers do not exist for all Rydex Funds. Rydex Funds that do not have a mutual fund peer available for comparison purposes will instead be compared to applicable internal or external benchmarks. An external benchmark, such as the S&P 500 Index, will be used for each Rydex Fund that seeks to track the performance of a published index. An internal benchmark, such as the inverse of the S&P 500 Index, will be used when an external benchmark is not available. The second component used to determine the discretionary bonus is based on the Advisor's profit margin and assets under management.

FUND SHARES OWNED BY PORTFOLIO MANAGERS. The following table shows the dollar amount range of each portfolio manager's "beneficial ownership" of shares of each Fund as of March 9, 2005. Dollar amount ranges disclosed are established by the SEC. "Beneficial ownership" is determined in accordance with Rule 16a-1(a)(2) under the 1934 Act.

PORTFOLIO MANAGER	FUND	DOLLAR RANGE OF FUND SHARES
Michael P. Byrum	0	N/A
William E. Flaig, Jr.	Rydex Tempest 500 Fund	\$1-\$10,000
	Rydex Venture 100 Fund	\$10,001 - \$50,000
Jim King	Rydex Venture 100 Fund	\$50,001 - \$100,000

THE ADMINISTRATIVE SERVICE AGREEMENT AND ACCOUNTING SERVICE AGREEMENT

General administrative, shareholder, dividend disbursement, transfer agent, and registrar services are provided to the Trust and the Funds by Rydex Fund Services, Inc. (the "Servicer"), 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, subject to the general supervision and control of the Board and the officers of the Trust, pursuant to a service agreement between the Trust and the Servicer. The Servicer is wholly-owned by the Viragh Family Trust.

Under the service agreement, the Servicer provides the Trust and each Fund with all required general administrative services, including, without limitation, office space, equipment, and personnel; clerical and general back office services; bookkeeping, internal accounting, and secretarial services; the determination of net asset values; and the preparation and filing of all reports, registration statements, proxy statements, and all other materials required to be filed or furnished by the Trust and each Fund under federal and state securities laws. The Servicer also maintains the shareholder account records for each Fund, disburses dividends and distributions payable by each Fund, and produces statements with respect to account activity for each Fund and each Fund's shareholders. The Servicer pays all fees and expenses that are directly related to the services provided by the Servicer to each Fund; each Fund reimburses the Servicer for all fees and expenses incurred by the Servicer which are not directly related to the services the Servicer provides to the Fund

under the service agreement. In consideration for its services, the Servicer is entitled to a fee, which is calculated daily and paid monthly, at an annual rate of 0.25% of the average daily net assets of each Fund.

For the fiscal years ended December 31, 2002, 2003 and 2004 the Servicer received the following fees:

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<TABLE>
<CAPTION>

FUND NAME	FUND INCEPTION DATE	SERVICE FEES PAID FOR FISCAL YEAR ENDED 2002	SERVICE FEES PAID FOR FISCAL YEAR ENDED 2003	SERVICE FEES PAID FOR FISCAL YEAR ENDED 2004
<S>	<C>	<C>	<C>	<C>
Titan 500	05/19/00	\$346,089	\$500,481	\$881,455
Tempest 500	05/19/00	\$602,104	\$1,255,496	\$986,937
Velocity 100	05/24/00	\$486,257	\$853,679	\$1,373,736
Venture 100	05/23/00	\$569,266	\$962,472	\$1,269,393
Long Dynamic Dow 30	02/20/04	N/A	N/A	\$36,261
Inverse Dynamic Dow 30	02/20/04	N/A	N/A	\$31,267

</TABLE>

Pursuant to an Accounting Services Agreement, the Servicer serves as Accounting Services Agent and performs certain record keeping and accounting functions for a fee calculated at an annual percentage rate of one-tenth of one percent (0.10%) on the first \$250 million of the average daily net assets, three-fortieths of one percent (0.075%) on the next \$250 million of the average daily net assets, one-twentieth of one percent (0.05%) on the next \$250 million of the average daily net assets, and one-thirty third of one percent (0.03%) on the average daily net assets over \$750 million of the Funds. Certain officers and members of the Board of the Trust are also officers and directors of the Servicer.

For the fiscal years ended December 31, 2002, 2003 and 2004, the Servicer received the following fees:

<TABLE>
<CAPTION>

FUND NAME	FUND INCEPTION DATE	ACCOUNTING SERVICE FEES PAID FOR FISCAL YEAR ENDED 2002	ACCOUNTING SERVICE FEES PAID FOR FISCAL YEAR ENDED 2003	ACCOUNTING SERVICE FEES PAID FOR FISCAL YEAR ENDED 2004
<S>	<C>	<C>	<C>	<C>
Titan 500	05/19/00	\$138,406	\$268,284	\$528,873
Tempest 500	05/19/00	\$232,367	\$620,017	\$592,162
Velocity 100	05/24/00	\$193,704	\$463,424	\$824,242
Venture 100	05/23/00	\$223,449	\$485,036	\$761,636
Long Dynamic Dow 30	02/20/04	N/A	N/A	\$21,756
Inverse Dynamic Dow 30	02/20/04	N/A	N/A	\$18,760

</TABLE>

DISTRIBUTION

Pursuant to the Distribution Agreement adopted by the Trust, Rydex Distributors, Inc. (the "Distributor"), 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850, acts as distributor for the shares of the Trust under the general supervision and control of the Board and the officers of the Trust. The

Distributor is wholly-owned by the Viragh Family Trust. The Distribution Agreement grants the Distributor the exclusive right to distribute the shares of the Funds. In addition, the Distribution Agreement permits the Distributor to receive as compensation any front-end sales load or contingent deferred sales charge collected by the Funds or other asset-based sales charges collected pursuant to any distribution or shareholder services plans adopted by the Funds on behalf

of the various classes of shares. Each of the Funds' current distribution and shareholder services plans, as well as a description of the services performed under each, are described below.

A-CLASS DISTRIBUTION PLAN - Each Feeder Fund has adopted a Distribution Plan applicable to A-Class Shares. Under the Distribution Plan, the Distributor, or designated Service Providers, may receive up to 0.25% of each Fund's assets attributable to A-Class Shares as compensation for distribution services pursuant to Rule 12b-1 of the 1940 Act.

Following, are the fees paid under the A-Class Distribution Plan for the fiscal period ended December 31, 2004:

FUND NAME	FUND INCEPTION DATE	12B-1 FEES PAID (%)	12B-1 FEES PAID (\$)
Titan 500	05/19/00	0.25%	\$423
Tempest 500	05/19/00	0.25%	\$1,012
Velocity 100	05/24/00	0.25%	\$809
Venture 100	05/23/00	0.25%	\$164
Long Dynamic Dow 30	02/20/04	0.25%	\$90
Inverse Dynamic Dow 30	02/20/04	0.25%	\$86

C-CLASS DISTRIBUTION AND SHAREHOLDER SERVICING PLAN - Each Fund has adopted a Distribution and Shareholder Services Plan for C-Class Shares (the "C-Class Plan"). Under the C-Class Plan, the Distributor, or designated Service Providers, may receive up to 1.00% of each Fund's assets attributable to C-Class Shares as compensation for distribution and shareholder services pursuant to Rule 12b-1 of the 1940 Act. The C-Class Plan allows for payment of up to 0.75% of each Fund's assets attributable to C-Class Shares as compensation for distribution services and up to 0.25% of each Fund's assets attributable to C-Class Shares as compensation for shareholder services.

Following, are the fees paid under the C-Class Distribution and Shareholder Servicing Plan for the fiscal period ended December 31, 2004:

FUND NAME	FUND INCEPTION DATE	12B-1 FEES PAID (%)	12B-1 FEES PAID (\$)
Titan 500	05/19/00	1.00%	\$720,299
Tempest 500	05/19/00	1.00%	\$408,709
Velocity 100	05/24/00	1.00%	\$619,100
Venture 100	05/23/00	1.00%	\$450,094
Long Dynamic Dow 30	02/20/04	1.00%	\$17,254
Inverse Dynamic Dow 30	02/20/04	1.00%	\$5,188

H-CLASS DISTRIBUTION PLAN AND SHAREHOLDER SERVICES PLAN - Each Fund has adopted a Distribution Plan and a Shareholder Services Plan for their H-Class Shares. Under the Distribution Plan, the Distributor, or designated Service Providers, may receive up to 0.25% of each Fund's assets attributable to H-Class Shares as compensation for distribution services pursuant to Rule 12b-1 of the 1940 Act. The Shareholder Services Plan permits the payment of up to 0.25% of each Fund's assets attributable to H-Class Shares to designated Service Providers as compensation for providing shareholder services, which are not primarily

intended to result in the sale of the shares of the Funds.

Following, are the fees paid under the H-Class Distribution Plan for the fiscal period ended December 31, 2004:

FUND NAME	FUND INCEPTION DATE	12B-1 FEES PAID (%)	12B-1 FEES PAID (\$)
Titan 500	05/19/00	0.25%	\$700,958
Tempest 500	05/19/00	0.25%	\$883,747
Velocity 100	05/24/00	0.25%	\$1,218,153
Venture 100	05/23/00	0.25%	\$1,156,706
Long Dynamic Dow 30	02/20/04	0.25%	\$31,857
Inverse Dynamic Dow 30	02/20/04	0.25%	\$29,883

DESCRIPTION OF DISTRIBUTION AND SHAREHOLDER SERVICES - Distribution services may include: (i) services in connection with distribution assistance, or (ii) payments to financial institutions and other financial intermediaries, such as banks, savings and loan associations, insurance companies, investment counselors, broker-dealers, mutual fund "supermarkets" and the Distributor's affiliates and subsidiaries, as compensation for services or reimbursement of expenses incurred in connection with distribution assistance. The Distributor may, at its discretion, retain a portion of such payments to compensate itself for distribution services and distribution related expenses such as the costs of preparation, printing, mailing or otherwise disseminating sales literature, advertising, and prospectuses (other than those furnished to current shareholders of the Fund), promotional and incentive programs, and such other marketing expenses that the Distributor may incur.

Shareholder services may include: (i) maintaining accounts relating to clients that invest in shares; (ii) arranging for bank wires; (iii) responding to client inquiries relating to the services performed by the Services Provider; (iv) responding to inquiries from clients concerning their investment in shares; (v) assisting clients in changing dividend options, account designations and addresses; (vi) providing information periodically to clients showing their position in shares; (vii) forwarding shareholder communications from the Funds such as proxies, shareholder reports, annual reports, and dividend distribution and tax notices to clients; and (viii) processing dividend payments from the Funds on behalf of clients.

COSTS AND EXPENSES

Each Fund bears all expenses of its operations other than those assumed by the Advisor or the Servicer. Fund expenses include: the management fee; the servicing fee (including administrative, transfer agent, and shareholder servicing fees); custodian and accounting fees and expenses; legal and auditing fees; securities valuation expenses; fidelity bonds and other insurance premiums; expenses of preparing and printing prospectuses, confirmations, proxy statements, and shareholder reports and notices; registration fees and expenses; proxy and annual meeting expenses, if any; all federal, state, and local taxes (including, without limitation, stamp, excise, income, and franchise taxes); organizational costs; non-interested trustees' fees and expenses; the costs and expenses of redeeming shares of the Fund; fees and expenses paid to any securities pricing organization; dues and expenses associated with membership in any mutual fund organization; and costs for incoming telephone WATTS lines. In addition, each of the Funds pays an equal portion of the Trustee fees and expenses for attendance at Board meetings for the members of the Board who are not affiliated with or interested persons of the Advisor.

BUSINESS CONTINUITY AND DISASTER RECOVERY

The Advisor, the Distributor and the Servicer (collectively, the "Service Providers") have developed a joint Business Continuity and Disaster Recovery Program that is designed to minimize the disruption of normal business operations in the event of a disaster. While the Service Providers

believe that the Program is comprehensive and should enable them to survive a disaster and reestablish normal business operations in a timely manner, under certain unusual or unexpected circumstances the Service Providers could be prevented or hindered from providing services to the Funds for extended periods of time. These circumstances may include, without limitation, acts of God, acts of government in its sovereign or contractual capacity, any act of declared or undeclared war or of a public enemy (including acts of terrorism), power shortages or failures, utility or communication failure or delays, labor disputes, strikes, shortages, supply shortages, system failures or malfunctions. Under each Service Provider's agreement with the Trust, absent willful misfeasance, bad faith or gross negligence on the part of the Service Provider, or the reckless disregard of their respective obligations, the Service Provider generally will not be liable for any related losses to the Funds or to the Funds' shareholders as a result of such an occurrence.

PRINCIPAL HOLDERS OF SECURITIES

As of April 1, 2005, the following persons were the only persons who were record owners or, to the knowledge of the Trust, beneficial owners of 5% or more of the shares of the Funds.

FUND NAME AND CLASS	NUMBER OF SHARES	PERCENTAGE OF FUND SHARES	NAME AND ADDRESS OF BENEFICIAL OWNER
A-CLASS SHARES			
Titan 500	10891.41	20.89	FIRST CLEARING, LLC KRALING FAMILY TRUST ALAN R KRALING TTEE 10700 WHEAT FIRST DRIVE GLEN ALLEN, VA 23060
Tempest 500	2227.00	6.42	FIRST CLEARING, LLC HORA PRAPHAT TTEE DEFINED BENEFIT PENSION TRUST 10700 WHEAT FIRST DRIVE GLEN ALLEN, VA 23060
Tempest 500	11370.37	32.76	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Tempest 500	5960.68	17.17	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Tempest 500	4511.50	13.00	DEAN WITTER FOR THE BENEFIT OF DUBI SILVERSTEIN & PO BOX 250 CHURCH STREET STATION NEW YORK, NY 10008-0250
Tempest 500	2139.51	6.16	DEAN WITTER FOR THE BENEFIT OF GISELA CAHMAN PO BOX 250 CHURCH STREET STATION NEW YORK, NY 10008-0250
Velocity 100	25058.81	20.30	FIRST CLEARING, LLC KRALING FAMILY TRUST ALAN R KRALING TTEE 10700 WHEAT FIRST DRIVE GLEN ALLEN, VA 23060
		29	
Velocity 100	23562.68	19.09	DEAN WITTER FOR THE BENEFIT OF CARL K BUFKA PO BOX 250 CHURCH STREET STATION NEW YORK, NY 10008-0250
Velocity 100	13054.83	10.57	NFSC FEBO # HDM-701475 ROBB CHARITABLE TRUST WALTER L ROBB U/A 09/04/1990 41 MORTON ST UNIT 15 JAMAICA PLAIN, MA 02130
Venture 100	4797.00	9.85	FIRST CLEARING, LLC HORA PRAPHAT TTEE DEFINED BENEFIT PENSION TRUST 10700 WHEAT FIRST DRIVE

GLEN ALLEN, VA 23060

Venture 100	23678.65	48.63	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Long Dynamic Dow 30	846.21	7.11	NFSC FEBO # 0JR-777889 BILLEE L JOHNS TTEE FBO BILLEE L JOHNS TRUST U/A 9/18/90 1632 VIA BARLOVENTO LAKE SAN MARCOS, CA 92078
Long Dynamic Dow 30	951.42	7.99	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Long Dynamic Dow 30	727.65	6.11	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Long Dynamic Dow 30	1137.29	9.55	STIFEL NICOLAUS & CO INC BATTCHER FAMILY REV LIVING TR 501 NORTH BROADWAY ST LOUIS MO 63102
Long Dynamic Dow 30	2040.82	17.14	FIRST CLEARING, LLC LEE ROTH 10700 WHEAT FIRST DRIVE GLEN ALLEN, VA 23060
Long Dynamic Dow 30	659.94	5.54	LPL FINANCIAL SERVICES 9785 TOWNE CENTRE DRIVE SAN DIEGO, CA 92121-1968
Long Dynamic Dow 30	737.58	6.20	LPL FINANCIAL SERVICES 9785 TOWNE CENTRE DRIVE SAN DIEGO, CA 92121-1968
Inverse Dynamic Dow 30	86.69	8.55	FISERV SECURITIES, INC. FAO 13353003 ATTN: MUTUAL FUNDS ONE COMMERCE SQUARE 2005 MARKET STREET SUITE 1200 PHILADELPHIA, PA 19103
		30	
Inverse Dynamic Dow 30	190.52	18.79	FISERV SECURITIES, INC. FAO 10099374 ATTN: MUTUAL FUNDS ONE COMMERCE SQUARE 2005 MARKET STREET SUITE 1200 PHILADELPHIA, PA 19103
Inverse Dynamic Dow 30	106.65	10.52	FISERV SECURITIES, INC. FAO 13372412 ATTN: MUTUAL FUNDS ONE COMMERCE SQUARE 2005 MARKET STREET SUITE 1200 PHILADELPHIA, PA 19103
Inverse Dynamic Dow 30	499.42	49.26	FISERV SECURITIES, INC. FAO 13353649 ATTN: MUTUAL FUNDS ONE COMMERCE SQUARE 2005 MARKET STREET SUITE 1200 PHILADELPHIA, PA 19103
Inverse Dynamic Dow 30	111.24	10.97	FISERV SECURITIES, INC. FAO 46626824 ATTN: MUTUAL FUNDS ONE COMMERCE SQUARE 2005 MARKET STREET SUITE 1200 PHILADELPHIA, PA 19103

C-CLASS
SHARES

Long Dynamic Dow 30	27909.09	25.05	PERSHING LLC P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
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Inverse Dynamic Dow 30	1146.63	5.45	DONALDSON LUFKIN JENRETTE SECURITIES CORPORATION INC. P. O. BOX 2052 JERSEY CITY, NJ 07303-9998 0
Inverse Dynamic Dow 30	1146.63	5.45	DONALDSON LUFKIN JENRETTE SECURITIES CORPORATION INC. P. O. BOX 2052 JERSEY CITY, NJ 07303-9998
Inverse Dynamic Dow 30	1080.47	5.13	RBC DAIN RAUSCHER CUSTODIAN LESLIE S SOGOL INDIVIDUAL RETIREMENT ACCOUNT 81 ANGELA AVE SAN ANSELMO, CA 94960-1349
Inverse Dynamic Dow 30	2158.36	10.26	RBC DAIN RAUSCHER CUSTODIAN RAYMOND J MINEHAN SEGREGATED ROLLOVER IRA 34 THUNDERBIRD DR NOVATO, CA 94949-5843

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H-CLASS
SHARES

Titan 500	549600.85	6.49	MERRILL LYNCH FENNER & SMITH FINANCIAL DATA SERVICES 4800 DEER LAKE DRIVE E, 3RD FLOOR JACKSONVILLE, FL 32246
Titan 500	1542638.68	18.23	SCHWAB SPECIAL CUSTODY ACCOUNT - REINV FOR BENEFIT OF CUSTOMERS ATTN: MUTUAL FUNDS TEAM E 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104-4122
Titan 500	1247614.02	14.74	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET NEW YORK, NY 10281-9999
Tempest 500	537223.02	9.01	MERRILL LYNCH FENNER & SMITH FINANCIAL DATA SERVICES 4800 DEER LAKE DRIVE E, 3RD FLOOR JACKSONVILLE, FL 32246
Tempest 500	959596.69	16.09	SCHWAB SPECIAL CUSTODY ACCOUNT - REINV FOR BENEFIT OF CUSTOMERS ATTN: MUTUAL FUNDS TEAM E 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104-4122
Tempest 500	753393.45	12.63	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET NEW YORK, NY 10281-9999
Tempest 500	416024.62	6.97	NATIONAL INVESTOR SERVICES FBO 097-50000-19 55 WATER STREET, 32ND FLOOR NEW YORK NY 10041
Velocity 100	3489354.34	13.89	SCHWAB SPECIAL CUSTODY ACCOUNT - REINV FOR BENEFIT OF CUSTOMERS ATTN: MUTUAL FUNDS TEAM E 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104-4122
Velocity 100	3037873.47	12.09	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET

NEW YORK, NY 10281-9999

Velocity 100	1354845.02	5.39	NATIONAL INVESTOR SERVICES FBO 097-50000-19 55 WATER STREET, 32ND FLOOR NEW YORK NY 10041
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Venture 100	3119403.37	15.71	Schwab SPECIAL CUSTODY ACCOUNT - REINV FOR BENEFIT OF CUSTOMERS ATTN: MUTUAL FUNDS TEAM E 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104-4122
Venture 100	2683215.69	13.51	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET NEW YORK, NY 10281-9999
Venture 100	1030846.05	5.19	NATIONAL INVESTOR SERVICES FBO 097-50000-19 55 WATER STREET, 32ND FLOOR NEW YORK NY 10041
Venture 100	1515172.09	7.63	UBS SECURITIES LLC 483-68127-29 677 WASHINGTON BLVD. 9TH FLOOR STAMFORD, CT 06901-3793
Long Dynamic Dow 30	72005.39	6.07	MERRILL LYNCH FENNER & SMITH FINANCIAL DATA SERVICES 4800 DEER LAKE DRIVE E, 3RD FLOOR JACKSONVILLE, FL 32246
Long Dynamic Dow 30	261411.13	22.03	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET NEW YORK, NY 10281-9999
Long Dynamic Dow 30	59481.16	5.01	FTC & CO DATALYNX PO BOX 173736 DENVER, CO 80217-3736
Long Dynamic Dow 30	90267.98	7.61	TRUST COMPANY OF AMERICA FBO 60 PO BOX 6503 ENGLEWOOD, CO 80112
Inverse Dynamic Dow 30	22948.87	5.40	Schwab SPECIAL CUSTODY ACCOUNT - REINV FOR BENEFIT OF CUSTOMERS ATTN: MUTUAL FUNDS TEAM E 101 MONTGOMERY STREET SAN FRANCISCO, CA 94104-4122
Long Dynamic Dow 30	115678.44	27.24	NATIONAL FINANCIAL SVCS CORP FOR EXCLUSIVE BENEFIT OF OUR CUSTOMERS RUSS LENNON 200 LIBERTY STREET NEW YORK, NY 10281-9999

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DETERMINATION OF NET ASSET VALUE

The following information supplements and should be read in conjunction with the section in the Prospectuses entitled "Calculating NAV." The net asset value of a Fund serves as the basis for the purchase and redemption price of that Fund's shares. The net asset value per share of a Fund is calculated by dividing the market value of the Fund's securities plus the value of its other assets, less all liabilities, by the number of outstanding shares of the Fund. If market quotations are not readily available, a security will be valued at fair value by

the Advisor using methods established or ratified by the Board.

Options on securities and indices purchased by a Fund generally are valued at their last bid price in the case of exchange-traded options or, in the case of options traded in the over-the-counter ("OTC") market, the average of the last bid price as obtained from two or more dealers unless there is only one dealer, in which case that dealer's price is used. Futures contracts generally are valued based upon the unrealized gain or loss on the contract determined with reference to the first price reported by established futures exchanges after the close of a Fund pricing cycle, or alternatively, with reference to the average price at which futures are bought and sold by a Fund. Options on futures contracts generally are valued with reference to the underlying futures contract. If the market makes a limit move with respect to a particular commodity, the commodity will be valued at fair value by the Advisor using methods established or ratified by the Board.

On days when the Chicago Board of Trade ("CBOT") is closed during its usual business hours, but the shares of a Fund have been purchased, redeemed, and/or exchanged, the portfolio securities held by a Fund which are traded on the CBOT are valued at the earlier of (i) the time of the execution of the last trade of the day for a Fund in those CBOT-traded portfolio securities and (ii) the time of the close of the CBOT Evening Session. On days when the CBOT is closed during its usual business hours and there is no need for a Fund to execute trades on the CBOT, the value of the CBOT-traded portfolio securities held by a Fund will be the mean of the bid and asked prices for those CBOT-traded portfolio securities at the open of the CBOT Evening Session.

OTC securities held by a Fund shall be valued at the last sales price or, if no sales price is reported, the mean of the last bid and asked price is used. Securities listed on the Nasdaq National Market and Nasdaq SmallCap Market may be valued at the Nasdaq Official Closing Price, which may differ from the last sales price reported. The portfolio securities of a Fund that are listed on national exchanges are taken at the last sales price of such securities on such exchange; if no sales price is reported, the mean of the last bid and asked price is used. For valuation purposes, all assets and liabilities initially expressed in foreign currency values will be converted into U.S. dollar values at the mean between the bid and the offered quotations of such currencies against U.S. dollars as last quoted by any recognized dealer. If such quotations are not available, the rate of exchange will be determined in good faith by the Advisor based on guidelines adopted by the Board. Dividend income and other distributions are recorded on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the Trust is informed after the ex-dividend date.

Illiquid securities, securities for which reliable quotations or pricing services are not readily available, and all other assets will be valued at their respective fair value as determined in good faith by, or under procedures established by, the Board, which procedures may include the delegation of certain responsibilities regarding valuation to the Advisor or the officers of the Trust. The officers of the Trust report, as necessary, to the Board regarding portfolio valuation determination. The Board, from time to time, will review these methods of valuation and will

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recommend changes, which may be necessary to assure that the investments of the Funds are valued at fair value.

PURCHASE AND REDEMPTION OF SHARES

MINIMUM INVESTMENT REQUIREMENTS

Shareholders will be informed of any increase in the minimum investment requirements by a new prospectus or a prospectus supplement, in which the new minimum is disclosed. Any request for a redemption (including pursuant to check writing privileges) by an investor whose account balance is (a) below the currently applicable minimum investment, or (b) would be below that minimum as a result of the redemption, will be treated as a request by the investor of a complete redemption of that account. In addition, the Trust may redeem an account whose balance (due in whole or in part to redemptions since the time of last purchase) has fallen below the minimum investment amount applicable at the time of the shareholder's most recent purchase of Fund shares (unless the shareholder brings his or her account value up to the currently applicable minimum investment).

TAX CONSEQUENCES

Note that in the case of a redemption of tax-qualified retirement plans, a withdrawal of amounts from such a plan may have adverse tax consequences. A

shareholder contemplating such a withdrawal should consult his or her own tax adviser. Other shareholders should consider the tax consequences of any redemption.

SUSPENSION OF THE RIGHT OF REDEMPTION

The Funds may suspend the right of redemption or the date of payment: (i) for any period during which the NYSE is closed (other than customary weekend or holiday closings), or trading is restricted; (ii) for any period during which an emergency exists so that sales of a Fund's investments or the determination of its NAV is not reasonably practicable; or (iii) for such other periods as the SEC may permit for the protection of a Fund's investors. In cases where Nasdaq, the CME or Chicago Board Options Exchange, or any foreign market where the Funds' securities trade is closed or trading is restricted, a Fund may ask the SEC to permit the right of redemption to be suspended. On any day that any of the securities exchanges on which the Funds' securities trade close early (such as on days in advance of holidays generally observed by participants in these markets), or as permitted by the SEC, the right is reserved to advance the time on that day by which purchase and redemption orders must be received.

HOLIDAYS

The NYSE, the Federal Reserve Bank of New York, the Nasdaq, the CME, the CBOT, and other U.S. exchanges are closed on weekends and on the following holidays: (i) New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day (the CBOT and CME will have abbreviated trading schedules), Thanksgiving Day, and Christmas Day; and (ii) the preceding Friday if any of these holidays falls on a Saturday, or the subsequent Monday if any of these holidays falls on a Sunday. Although the Trust expects the same holiday schedules to be observed in the future, each of the aforementioned exchanges may modify its holiday schedule at any time.

REDEMPTIONS IN-KIND

The Trust intends to pay your redemption proceeds in cash. However, under unusual conditions that make the payment in cash unwise (and for the protection of the remaining shareholders of the Fund) the Trust reserves the right to pay all, or part, of your redemption proceeds in liquid securities with a market value equal to the redemption price (redemption in-kind). The Trust has elected to be governed by Rule 18f-1 of the 1940 Act under which the Trust is obligated to redeem

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shares for any one shareholder in cash only up to the lesser of \$250,000 or 1% of a Fund's net asset value during any 90-day period. Although it is highly unlikely that your shares would ever actually be redeemed in kind, you would probably have to pay brokerage costs to sell the securities distributed to you.

A-CLASS SHARES - INITIAL SALES CHARGES, REDUCTIONS AND WAIVERS

INITIAL SALES CHARGES / DEALER REALLOWANCES. A-Class Shares of the Funds are sold subject to a front-end sales charge as described in the A-Class Shares Prospectus. The sales charge is used to compensate the Distributor and participating securities dealers for their expenses incurred in connection with the distribution of the Funds' shares. You may also be charged a transaction or other fee by the financial institution managing your account.

Selling dealers are normally reallocated a portion of the sales charge by the Distributor. The following table shows the amount of the front-end sales charge that is reallocated to dealers as a percentage of the offering price of A-Class Shares.

<TABLE>

<CAPTION>

AMOUNT OF INVESTMENT	AUTHORIZED DEALER COMMISSION AS % OF OFFERING PRICE
<S>	<C>
Less than \$100,000	4.00%
\$100,000 but less than \$250,000	3.00%
\$250,000 but less than \$500,000	2.25%
\$500,000 but less than 1,000,000	1.20%
Greater than 1,000,000	1.00%

</TABLE>

REDUCED SALES CHARGES. You may qualify for reduced sales charges or sales charge exceptions. To qualify for these reductions or exceptions, you or your securities dealer are responsible for providing sufficient information at the time of purchase to verify that your purchase qualifies for such treatment.

RIGHTS OF ACCUMULATION

You may qualify for reduced initial sales charges based upon your existing investment in shares of any Rydex Fund at the time of the proposed purchase. To determine whether or not a reduced initial sales charge applies to a proposed purchase, the Distributor takes into account not only the money which is invested upon such proposed purchase, but also the value of all A-Class and C-Class shares of the Rydex Funds that you own (other than A-Class Shares of the U.S. Government money Market Fund, as discussed in the prospectus), calculated at their then current public offering price.

If you qualify for a reduced sales charge, the reduced sales charge applies to the total amount of money being invested, even if only a portion of that amount exceeds the breakpoint for the reduced sales charge. For example, if you already own qualifying A-Class or C-Class shares of any Rydex Fund with a value of \$80,000 and wish to invest an additional \$40,000 in an A-Class Share of a Fund, the reduced initial sales charge of 4.75% will apply to the full \$40,000 purchase and not just to the \$20,000 in excess of the \$100,000 breakpoint.

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To qualify for obtaining the discount applicable to a particular purchase, you or your securities dealer must furnish the Servicer with a list of the account numbers and the names in which your Rydex Fund accounts are registered at the time the purchase is made.

AGGREGATING ACCOUNTS (GROUP PURCHASES)

1. To receive a reduced sales charge on A-Class Shares, investments in any A-Class or C-Class share (other than A-Class Shares of the U.S. Government Money Market Fund) made by you, your spouse and your children under the age of 21 may be aggregated if made for your/their own account(s) and:

- o trust accounts established by the above individuals. However, if the person(s) who established the trust is/are deceased, the trust account may be aggregated with accounts of the person who is the primary beneficiary of the trust;
- o solely controlled business accounts;
- o single participant retirement plans; or
- o endowments or foundations established and controlled by you or your immediate family.

2. Investments made by a trustee or other fiduciary for a single trust estate or fiduciary account and multiple-employee benefit plans of a single employer or affiliated employers - provided they are not aggregated with individual accounts - may also be aggregated.

3. Similarly, investments made for participant accounts of a 403(b) plan that is treated like an employer-sponsored plan, or multiple 403(b) plans of a single employer or affiliated employers, may be aggregated. In addition, investments made for non-profit, charitable or educational organizations (or any employer-sponsored retirement plan for such an endowment or foundation) or any endowments or foundations established and controlled by the organization may be aggregated. Finally, investments made by a common trust fund or other diversified pooled accounts not specifically formed for the purpose of accumulating fund shares may be aggregated.

SOME ACCOUNTS CANNOT BE AGGREGATED. At the request of certain investment firms, some accounts are set up as "street name" or "nominee" accounts. This means that the investment firm has sole access, and that the Funds have limited access, to the investment firm's clients' account information. Since the Servicer has little or no access to certain nominee or street name account information, these accounts generally may not be aggregated for the purpose of receiving reduced sales charges. Check with your securities dealer to determine if this applies to your account.

LETTERS OF INTENT

You may also pay reduced initial sales charges by indicating on the account application that you intend to provide a Letter of Intent ("LOI"), and then fulfilling the conditions of that LOI.

The LOI confirms the total investment in shares of the Rydex Funds that you intend to make within the next 13 months. By marking the LOI section on the

account application and by signing the account application, you indicate that you understand and agree to the terms of the LOI and that you are bound by the provisions described below:

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CALCULATING THE INITIAL SALES CHARGE:

- o Each purchase of Fund shares normally subject to an initial sales charge made during the 13-month period will be made at the public offering price applicable to a single transaction of the total dollar amount indicated by the LOI (to determine what the applicable public offering price is, look at the sales charge table in the section on "Initial Sales Charges" in the Prospectus).
- o It is your responsibility at the time of purchase to specify the account numbers that should be considered in determining the appropriate sales charge.
- o The offering price may be further reduced as described below above under "Rights of Accumulation" if the Servicer is advised of all other accounts at the time of the investment.
- o Shares acquired through reinvestment of dividends and capital gains distributions will not be applied to the LOI.

CALCULATING THE NUMBER OF SHARES TO BE PURCHASED

- o Purchases made within 90 days before signing an LOI will be applied toward completion of the LOI. The LOI effective date will be the date of the first purchase within the 90-day period.
- o Purchases made more than 90 days before signing an LOI will be applied toward the completion of the LOI based on the value of the shares purchased that is calculated at the public offering price on the effective date of the LOI.
- o If you meet the original obligation at any time during the 13-month period, you may revise the intended investment amount upward by submitting a written and signed request. This revision will not change the original expiration date.
- o The Servicer will process necessary adjustments upon the expiration or completion date of the LOI.

FULFILLING THE INTENDED INVESTMENT

- o By signing an LOI, you are not making a binding commitment to purchase additional shares, but if purchases made within the 13-month period do not total the amount specified, you will have to pay the increased amount of sales charge.
- o To assure compliance with the provisions of the 1940 Act, the Servicer will escrow in the form of shares an appropriate dollar amount (computed to the nearest full share) out of the initial purchase (or subsequent purchases if necessary). All dividends and any capital gain distributions on the escrowed shares will be credited to you. All shares purchased, including those escrowed, will be registered in your name. If the total investment specified under this LOI is completed within the 13-month period, the escrowed shares will be promptly released.
- o If the intended investment is not completed, you will pay the Servicer the difference between the sales charge on the specified amount and the sales charge on the amount actually purchased. If you do not pay such difference within 20 days of the expiration date, you irrevocably appoint the Servicer as your attorney-in-fact to surrender for redemption any or all shares, to make up such difference within 60 days of the expiration date.

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CANCELING THE LOI

- o If at any time before completing the LOI Program you wish to cancel the agreement, you must give written notice to the Distributor.
- o If at any time before completion the LOI Program you request the Servicer to liquidate or transfer beneficial ownership of your total shares, the LOI will be automatically canceled. If the total amount purchased is less than the amount specified in the LOI, the Servicer

will redeem an appropriate number of escrowed shares equal to the difference between the sales charge actually paid and the sales charge that would have been paid if the total purchases had been made at a single time.

SALES CHARGE WAIVERS. The A-Class Shares' initial sales charges will be waived for certain types of investors, as described in the Prospectus.

DIVIDENDS, DISTRIBUTIONS, AND TAXES

DIVIDENDS AND DISTRIBUTIONS

Dividends from net investment income and any distributions of net realized capital gains from each of the Funds will be distributed as described in the Trust's Prospectuses under "Dividends and Distributions." Normally, all such distributions of a Fund will automatically be reinvested without charge in additional shares of the same Fund.

FEDERAL TAX TREATMENT OF DIVIDENDS AND DISTRIBUTIONS

The following is only a summary of certain additional federal income tax considerations generally affecting the Funds and their shareholders that are not described in the Funds' Prospectuses. No attempt is made to present a detailed explanation of the tax treatment of the Funds or their shareholders, and the discussion here and in the Funds' Prospectuses is not intended as a substitute for careful tax planning.

The following general discussion of certain federal income tax consequences is based on the Internal Revenue Code of 1986, as amended (the "Code") and the regulations issued thereunder as in effect on the date of this SAI. New legislation, as well as administrative changes or court decisions, may significantly change the conclusions expressed herein, and may have a retroactive effect with respect to the transactions contemplated herein.

Shareholders are urged to consult their own tax advisers regarding the application of the provisions of tax law described in this SAI in light of the particular tax situations of the shareholders and regarding specific questions as to federal, state, or local taxes.

REGULATED INVESTMENT COMPANY ("RIC") STATUS

Each of the Funds intends to seek to qualify for, and elect to be treated as a RIC under Subchapter M of the Code. Accordingly, each Fund must, among other requirements, (a) derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, and certain other related income, including, generally, certain gains from options, futures and forward contracts derived with respect to its business of investing in such stock, securities or currencies, and net income derived from an interest in a qualified publicly traded partnership; and (b) diversify its holding so that, at the end of each fiscal quarter of its taxable year, (i) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, US Government securities, securities of other RICs, and other securities, with such other securities limited, in respect to any

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one issuer, to an amount not greater than 5% of the value of the Fund's total assets or 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of its total assets is invested in the securities (other than US Government securities or securities of other RICs) of any one issuer, the securities (other than securities of other RICs) of two or more issuers that a Fund controls and which are engaged in the same, or similar, or related trades or businesses, or the securities of one or more qualified publicly traded partnerships.

In addition, each Fund must distribute at least 90% of its investment company taxable income (generally includes dividends, taxable interest, and the excess of net short-term capital gains over net long-term capital losses less operating expenses, but determined without any deduction for dividends paid to shareholders) and at least 90% of its net tax-exempt interest income, if any, for each tax year to its shareholders. If a Fund meets all of the RIC requirements, it will not be subject to federal income tax on any of its net investment income or capital gains that it distributes to shareholders. The Board reserves the right not to maintain the qualification of a Fund as a RIC if it determines such course of action to be beneficial to shareholders.

Although each Fund intends to distribute substantially all of its net investment income and may distribute its capital gains for any taxable year, each Fund will

be subject to federal income taxation to the extent any such income or gains are not distributed. In addition, as described below, a federal excise tax may be imposed in the event a Fund fails to meet certain distribution thresholds.

As a RIC, a Fund would not be subject to federal income taxes on the net investment income and capital gains that the Fund distributes to the Fund's shareholders. The distribution of net investment income and capital gains will be taxable to Fund shareholders regardless of whether the shareholder elects to receive these distributions in cash or in additional shares. Distributions reported to Fund shareholders as long-term capital gains shall be taxable as such, regardless of how long the shareholder has owned the shares. Fund shareholders will be notified annually by the Fund as to the federal tax status of all distributions made by the Fund. Distributions may be subject to state and local taxes.

In the event of a failure by a Fund to qualify as a RIC for any taxable year, all of its taxable income will be subject to tax at regular corporate income tax rates without any deductions for distributions to shareholders. In addition, the Fund's distributions, to the extent such distributions are derived from the Fund's current or accumulated earnings and profits, would constitute dividends that would be taxable to the shareholders as ordinary income. In general, subject to certain limitations, such dividends would be eligible for the dividends received deduction for corporate shareholders and for the reduced tax rates on qualified dividend income for individual shareholders.

A Fund may invest in complex securities such as equity options, index options, repurchase agreements, and futures contracts. These investments may be subject to numerous special and complex tax rules. These rules could affect whether gains and losses recognized by a Fund are treated as ordinary income or capital gain, accelerate the recognition of income to a Fund and/or defer a Fund's ability to recognize losses. In turn, those rules may affect the amount, timing or character of the income distributed to you by a Fund. A Fund may be subject to foreign withholding taxes on income it may earn from investing in foreign securities, which may reduce the return on such investments. It is not expected that any of the Funds will be able to pass through to you your pro-rata share of any foreign taxes paid by a Fund.

A Fund has available to it a number of elections under the Code concerning the treatment of certain complex securities for tax purposes. A Fund will utilize the tax treatment that, in the Fund's judgment, will be most favorable to a majority of investors in the Fund. Taxation of these

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transactions will vary according to the elections made by the Fund. These tax considerations may have an impact on investment decisions made by the Fund.

A Fund's transactions in options, under some circumstances, could preclude the Fund's qualifying for the special tax treatment available to investment companies meeting the requirements of Subchapter M of the Code. However, it is the intention of each Fund's portfolio management to limit gains from such investments to less than 10% of the gross income of the Fund during any fiscal year in order to maintain this qualification.

FUND DISTRIBUTIONS

Distributions of investment company taxable income will be taxable to shareholders as ordinary income, regardless of whether such distributions are paid in cash or are reinvested in additional Shares, to the extent of a Fund's earnings and profits. Each Fund anticipates that it will distribute substantially all of its investment company taxable income for each taxable year.

Each Fund may either retain or distribute to shareholders its excess of net long-term capital gains over net short-term capital losses (net capital gains). If such gains are distributed as a capital gains distribution, they are taxable to shareholders at rates applicable to long-term capital gains regardless of how long the shares were held. If any such gains are retained, a Fund will pay federal income tax thereon, and, if such Fund makes an election, the shareholders will include such undistributed gains in their income, will increase their basis in Fund shares by the difference between the amount of such includable gains and the tax deemed paid by such shareholder and will be able to claim their share of the tax paid by the Fund as a refundable credit.

If a Fund's distributions exceed its taxable income and capital gains realized during a taxable year, all or a portion of the distributions made in the same taxable year may be recharacterized as a return of capital to shareholders. A return of capital distribution will generally not be taxable but will reduce each shareholder's cost basis in a Fund and result in a higher reported capital gain or lower reported capital loss when those shares on which the distribution was received are sold, or exchanged.

Ordinarily, investors should include all dividends as income in the year of

payment. However, dividends declared payable to shareholders of record in October, November, or December of one year, but paid in January of the following year, will be deemed for tax purposes to have been received by the shareholder and paid by a Fund in the year in which the dividends were declared.

Investors should be careful to consider the tax implications of purchasing a Fund's shares just prior to the ex-dividend date of any ordinary income dividend or capital gains distributions. Those investors will be taxable on the entire amount of the dividend or distribution received, even though some or all of the amount distributed may have been realized by a Fund prior to the investor's purchase.

Each Fund will provide an annual statement to shareholders describing the federal tax status of distributions paid (or deemed to be paid) by the Fund during the year, including the amount of dividends eligible for the corporate dividends-received deduction and for the reduced tax rates on qualified dividend income.

SALE, EXCHANGE, OR REDEMPTION OF FUND SHARES

The sale, exchange or redemption of a Fund share is generally a taxable event for the shareholder. Generally, if you hold your shares as a capital asset, gain or loss on the sale, exchange or redemption of a Fund share will be capital gain or loss. However, if a shareholder realizes a loss on

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the sale, exchange or redemption of a Fund share held for six months or less and has previously received a capital gains distribution with respect to the share (or any undistributed net capital gains of the Fund with respect to such share are included in determining the shareholder's long-term capital gains), the shareholder must treat the loss as a long-term capital loss to the extent of the amount of the prior capital gains distribution (or any undistributed net capital gains of the Fund that have been included in determining such shareholder's long-term capital gains). In addition, any loss realized on a sale or other disposition of Fund shares will be disallowed to the extent an investor repurchases (or enters into a contract or option to repurchase) shares within a period of 61 days (beginning 30 days before and ending 30 days after the disposition of the shares). This loss disallowance rule will apply to shares received through the reinvestment of dividends during the 61-day period.

FEDERAL EXCISE TAX

If a Fund fails to distribute in a calendar year at least 98% of its ordinary income for the year and 98% of its capital gain net income (the excess of short and long term capital gains over short and long term capital losses) for the one-year period ending on October 31 of that year (and any retained amount from the prior calendar year), a Fund will be subject to a nondeductible 4% Federal excise tax on undistributed amounts not meeting the 98% threshold. Each Fund intends to make sufficient distributions to avoid triggering the tax, but can give no assurances that its distributions will be sufficient to eliminate all excise taxes.

BACK-UP WITHHOLDING

Each Fund is required to withhold and remit to the U.S. Treasury 28% of (i) reportable taxable dividends and distributions and (ii) the proceeds of any redemptions of Fund shares with respect to any shareholder who is not exempt from withholding due to a failure to furnish the Trust with a correct taxpayer identification number, a failure to report fully dividend or interest income, or failure to certify to the Trust that the shareholder has provided a correct taxpayer identification number and that the shareholder is not subject to withholding, or failure to certify that such a shareholder is a U.S. person (including a U.S. resident alien). (An individual's taxpayer identification number is generally the individual's social security number.) The 28% "back-up withholding tax" is not an additional tax and may be credited against a taxpayer's regular federal income tax liability.

STATE TAX ISSUES

Each Fund may be subject to tax or taxes in certain states where the Fund does business. Rules of state and local taxation of dividend and capital gains distributions from regulated investment companies often differ from the rules for federal income taxation described above. Shareholders are urged to consult their tax adviser regarding state and local tax rules affecting an investment in Fund shares.

Many states grant tax-free status to dividends paid to you from interest earned on direct obligations of the U.S. government, subject in some states to minimum investment requirements that must be met by a fund. Investment in Ginnie Mae or Fannie Mae securities, bankers acceptances, commercial paper, and repurchase

agreements collateralized by U.S. government securities do not generally qualify for such tax-fee treatment. The rules on exclusion of this income are different for corporate shareholders.

OTHER INFORMATION

PORTFOLIO HOLDINGS

The Board has approved portfolio holdings disclosure policies that govern the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio

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investments held by the Funds. These policies and procedures, as described below, are designed to ensure that disclosure of portfolio holdings is in the best interests of Fund shareholders, and address conflicts of interest between the interests of Fund shareholders and those of the Funds' Advisor, principal underwriter, or any affiliated person of the Funds, the Advisor, or the principal underwriter.

Information concerning the Funds' portfolio holdings may be disclosed in the ordinary course of business and as frequently as daily, but no earlier than one business day following the date of the information, to (i) certain personnel of those service providers that are involved in portfolio management and providing administrative, operational, risk management, or other support to portfolio management, including affiliated broker-dealers, and (ii) other personnel of the Advisor and other service providers, such as the Funds' administrator, custodian and fund accountant, who deal directly with, or assist in, functions related to investment management, administration, custody and fund accounting, as may be necessary to conduct business in the ordinary course in a manner consistent with agreements with the Fund and/or the terms of the Fund's current registration statement. As of April 1, 2005, Fund portfolio holdings information is disclosed to the following entities as part of ongoing arrangements that serve legitimate business purposes: Morningstar, Lipper, Vickers Stock Research, Thomson Financial, Bloomberg and Standard & Poor's.

The Funds' Chief Compliance Officer, or his or her designee, may also grant exceptions to permit additional disclosure of Fund portfolio holdings information at differing times and with different lag times (the period from the date of the information to the date the information is made available) in instances where the Funds have legitimate business purposes for doing so, it is in the best interests of shareholders, and the recipients are subject to a duty of confidentiality, including a duty not to trade on the nonpublic information and are required to execute an agreement to that effect. The Board will be informed of any such disclosures at its next regularly scheduled meeting or as soon as is reasonably practicable thereafter. In no event shall the Funds, the Advisor, or any other party receive any direct or indirect compensation in connection with the disclosure of information about the Funds' portfolio holdings.

In addition to the permitted disclosures described above, the Funds must disclose its complete holdings quarterly within 60 days of the end of each fiscal quarter in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q. These reports are available, free of charge, on the EDGAR database on the SEC's web site at www.sec.gov.

VOTING RIGHTS

You receive one vote for every full Fund share owned. Each Fund or class of a Fund will vote separately on matters relating solely to that Fund or class. All shares of the Funds are freely transferable.

As a Delaware statutory trust, the Trust is not required to hold annual Shareholder meetings unless otherwise required by the 1940 Act. However, a meeting may be called by Shareholders owning at least 10% of the outstanding shares of the Trust. If a meeting is requested by Shareholders, the Trust will provide appropriate assistance and information to the Shareholders who requested the meeting. Shareholder inquiries can be made by calling 800.820.0888 or 301.296.5100, or by writing to the Trust at 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850.

REPORTING

You will receive the Trust's unaudited financial information and audited financial statements. In addition, the Trust will send you proxy statements and other reports. If you are a customer of a

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financial institution that has purchased shares of a Fund for your account, you may, depending upon the nature of your account, receive all or a portion of this information directly from your financial institution.

SHAREHOLDER INQUIRIES

You may visit the Trust's web site at www.rydexinvestments.com or call 800.820.0888 or 301.296.5100 to obtain information on account statements, procedures, and other related information.

INDEX PUBLISHERS

The Rydex Funds are not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") or by Dow Jones. S&P and Dow Jones make no representation or warranty, express or implied, to the owners of the Rydex Funds or any member of the public regarding the advisability of investing in securities generally or in the Rydex Funds particularly or the ability of the S&P Indexes to track general stock market performance. S&P and Dow Jones' only relationship to Rydex Investments is the licensing of certain trademarks and trade names of S&P and of Dow Jones and of the S&P Indexes and Dow Jones Industrial AverageSM which is determined, composed and calculated by S&P and Dow Jones, respectively, without regard to Rydex Investments or the Rydex Funds. S&P and Dow Jones have no obligation to take the needs of Rydex Investments or the owners of the Rydex Funds into consideration in determining, composing or calculating the S&P Indexes or the Dow Jones Industrial AverageSM, respectively. S&P and Dow Jones are not responsible for and have not participated in the determination of the prices and amount of the Rydex Funds, the timing of the issuance or sale of the Rydex Funds, or in the determination or calculation of the net asset value of the Rydex Funds. S&P and Dow Jones have no obligation or liability in connection with the administration, marketing or trading of the Rydex Funds.

S&P AND DOW JONES DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P INDEXES OR DOW JONES INDUSTRIAL AVERAGESM, RESPECTIVELY, OR ANY DATA INCLUDED THEREIN AND S&P AND DOW JONES SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P AND DOW JONES MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY RYDEX INVESTMENTS, OWNERS OF THE RYDEX FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P INDEXES OR DOW JONES INDUSTRIAL AVERAGESM, RESPECTIVELY, OR ANY DATA INCLUDED THEREIN. S&P AND DOW JONES MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P INDEXES OR DOW JONES INDUSTRIAL AVERAGESM, RESPECTIVELY, OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P OR DOW JONES HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES AND RYDEX INVESTMENTS.

COUNSEL

Morgan, Lewis & Bockius LLP serves as counsel to the Trust.

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND CUSTODIAN

PricewaterhouseCoopers LLP, 250 West Pratt Street, Suite 2100, Baltimore, Maryland 21201, is the independent registered public accounting firm of the Trust and each of the Funds.

U. S. Bank (the "Custodian"), 425 Walnut Street, Cincinnati, Ohio 45202, serves as custodian for the Trust and the Funds under a custody agreement between the Trust and the Custodian. Under the custody agreement, the custodian holds the portfolio securities of each Fund and keeps all necessary related accounts and records.

FINANCIAL STATEMENTS

The Trust's financial statements for the fiscal year ended December 31, 2004, including notes thereto and the report of PricewaterhouseCoopers LLP are incorporated by reference into this SAI. A copy of the Trust's Annual Report to Shareholders must accompany the delivery of this SAI.

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APPENDIX A

RYDEX INVESTMENTS
PROXY VOTING POLICIES AND PROCEDURES

I. INTRODUCTION

PADCO Advisors, Inc. and PADCO Advisors II, Inc., together doing business as Rydex Investments, generally are responsible for voting proxies with respect to securities held in client accounts, including clients registered as investment companies under the Investment Company Act of 1940 ("Funds") and clients that are pension plans ("Plans") subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). This document sets forth Rydex Investments' policies and guidelines with respect to proxy voting and its procedures to comply with SEC Rule 206(4)-6 under the Investment Advisers Act of 1940. Specifically, Rule 206(4)-6 requires that we:

- o Adopt and implement written policies and procedures reasonably designed to ensure that we vote client securities in the best interest of clients;
- o Disclose to clients how they may obtain information from us about how we voted proxies for their securities; and
- o Describe our proxy voting policies and procedures to clients and furnish them a copy of our policies and procedures on request.

II. PROXY VOTING POLICIES AND PROCEDURES

A. Proxy Voting Policies

Proxies may have economic value and, where Rydex Investments is given responsibility for voting proxies, we must take reasonable steps under the circumstances to ensure that proxies are received and voted in the best long-term economic interests of our clients, which generally means voting proxies with a view to enhancing the value of the shares of stock held in client accounts, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of the proxy vote. Our authority is initially established by our advisory contracts or comparable documents. Clients, however, may change their proxy voting direction at any time.

The financial interest of our clients is the primary consideration in determining how proxies should be voted. Any material conflicts of interest between Rydex Investments and our clients with respect to proxy voting are resolved in the best interests of clients, in accordance with the procedures described in Section III below.

B. Proxy Voting Procedures

Rydex Investments utilizes the services of an outside proxy voting firm, Investor Responsibility Research Center, Inc. ("IRRC"), to act as agent for the proxy process, to maintain records

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on proxy votes for our clients, and to provide independent research on corporate governance, proxy and corporate responsibility issues. In the absence of contrary instructions received from Rydex Investments, IRRC will vote proxies in accordance with the proxy voting guidelines (the "Guidelines") attached as SCHEDULE A hereto, as such Guidelines may be revised from time to time by Rydex Investments' portfolio management group (the "Committee"). Under its arrangement with IRRC, Rydex Investments has agreed to:

- o Provide IRRC with a copy of the Guidelines and to inform IRRC promptly of any changes to the Guidelines;
- o Deliver to IRRC, on a timely basis, all documents, information and materials necessary to enable IRRC to provide the services contemplated to be performed by it on a timely and efficient basis (such as conveying to IRRC a power of attorney with respect to the services to be provided hereunder and providing IRRC on a timely basis with Rydex Investments' authorized stamp, proxy cards, special voting instructions, authorization letters to custodian banks and any other materials necessary for the performance by IRRC of its duties);
- o Provide IRRC with a data file containing portfolio information (such as account numbers, share amounts, and security identifiers such as cusip and/or sedol numbers) on a regular basis; and

- o Coordinate with IRRC with respect to the classification of proxy items and for the treatment of items not clearly defined under the Guidelines.

III. RESOLVING POTENTIAL CONFLICTS OF INTEREST

The Committee is responsible for identifying potential conflicts of interest in regard to the proxy voting process. Examples of potential conflicts of interest include:

- o Managing a pension plan for a company whose management is soliciting proxies;
- o Having a material business relationship with a proponent of a proxy proposal in which this business relationship may influence how the proxy vote is cast; and
- o Rydex Investments, its employees or affiliates having a business or personal relationship with participants in a proxy contest, corporate directors or candidates for directorships.

To ensure that all proxies are voted in the best interests of clients and are not the product of any potential conflict of interest, if a potential conflict of interest exists Rydex Investments will instruct IRRC to vote in accordance with the established Guidelines. In the absence of established Guidelines (I.E., in instances where the Guidelines provide for a "case-by-case" review), Rydex Investments may vote a proxy regarding that proposal in any of the following manners:

- o REFER PROPOSAL TO THE CLIENT - Rydex Investments may refer the proposal to the client and obtain instructions from the client on how to vote the proxy relating to that proposal.
- o OBTAIN CLIENT RATIFICATION - If Rydex Investments is in a position to disclose the conflict to the client (I.E., such information is not confidential), Rydex Investments may determine how it proposes to vote the proposal on which it has a conflict, fully disclose the nature of the conflict to

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the client, and obtain the client's consent to how Rydex Investments will vote on the proposal (or otherwise obtain instructions from the client on how the proxy on the proposal should be voted).

- o USE AN INDEPENDENT THIRD PARTY FOR ALL PROPOSALS - Subject to any client imposed proxy voting policies, Rydex Investments may vote all proposals in a proxy according to the policies of an independent third party, such as IRRC or a similar entity (or to have the third party vote such proxies).
- o USE AN INDEPENDENT THIRD PARTY TO VOTE THE SPECIFIC PROPOSALS THAT INVOLVE A CONFLICT - Subject to any client imposed proxy voting policies, Rydex Investments may use an independent third party (such as IRRC) to recommend how the proxy for specific proposals that involve a conflict should be voted (or to have the third party vote such proxies).

IV. SECURITIES SUBJECT TO LENDING ARRANGEMENTS

For various legal or administrative reasons, Rydex Investments is often unable to vote securities that are, at the time of such vote, on loan pursuant to a client's securities lending arrangement with the client's custodian. Rydex Investments will refrain from voting such securities where the costs to the client and/or administrative inconvenience of retrieving securities then on loan outweighs the benefit of voting, assuming retrieval under such circumstances is even feasible and/or possible. In certain extraordinary situations, Rydex Investments may seek to have securities then on loan pursuant to such securities lending arrangements retrieved by the client's custodian for voting purposes. This decision will generally be made on a case-by-case basis depending on whether, in Rydex Investments' judgment, the matter to be voted on has critical significance to the potential value of the securities in question, the relative cost and/or administrative inconvenience of retrieving the securities, the significance of the holding and whether the stock is considered a long-term holding. There can be no guarantee that any such securities can be retrieved for such purpose.

V. SPECIAL ISSUES WITH VOTING FOREIGN PROXIES

Voting proxies with respect to shares of foreign stocks may involve significantly greater effort and corresponding cost due to the variety of regulatory schemes and corporate practices in foreign countries with respect to

proxy voting. Because the cost of voting on a particular proxy proposal could exceed the expected benefit to a client (including an ERISA Plan), Rydex Investments may weigh the costs and benefits of voting on proxy proposals relating to foreign securities and make an informed decision on whether voting a given proxy proposal is prudent.

VI. ASSISTANCE WITH FORM N-PX AND PROXY VOTING RECORD

Rydex Investments shall assist its Fund clients in disclosing the following information on Form N-PX for each proxy matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which Rydex Investments, or IRRC as its agent, voted on the client's behalf by providing the following information to the Fund on a regular quarterly basis within 30 days after the end of the quarter:

- (i) The name of the issuer of the portfolio security;
- (ii) The exchange ticker symbol of the portfolio security (if available through reasonably practicable means);

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- (iii) The Council on Uniform Security Identification Procedures ("CUSIP") number for the portfolio security (if available through reasonably practicable means);
- (iv) The shareholder meeting date;
- (v) A brief identification of the matter voted on;
- (vi) Whether the matter was proposed by the issuer or by a security holder;
- (vii) Whether Rydex Investments (or IRRC as its agent) cast the client's vote on the matter;
- (viii) How Rydex Investments (or IRRC as its agent) cast the client's vote (I.E., for or against proposal, or abstain; for or withhold regarding election of directors); and
- (ix) Whether Rydex Investments (or IRRC as its agent) cast the client's vote for or against management.

VII. DISCLOSURE OF HOW TO OBTAIN VOTING INFORMATION

On or before August 6, 2003, Rule 206(4)-6 requires Rydex Investments to disclose in response to any client request how the client can obtain information from Rydex Investments on how its securities were voted. Rydex Investments will disclose in Part II of its Form ADV that clients can obtain information on how their securities were voted by making a written request to Rydex Investments. Upon receiving a written request from a client, Rydex Investments will provide the information requested by the client within a reasonable amount of time.

Rule 206(4)-6 also requires Rydex Investments to describe its proxy voting policies and procedures to clients, and upon request, to provide clients with a copy of those policies and procedures. Rydex Investments will provide such a description in Part II of its Form ADV. Upon receiving a written request from a client, Rydex Investments will provide a copy of this policy within a reasonable amount of time.

If approved by the client, this policy and any requested records may be provided electronically.

VIII. RECORDKEEPING

Rydex Investments shall keep the following records for a period of at least five years, the first two in an easily accessible place:

- (i) A copy of this Policy;
- (ii) Proxy Statements received regarding client securities;
- (iii) Records of votes cast on behalf of clients;
- (iv) Any documents prepared by Rydex Investments that were material to making a decision how to vote, or that memorialized the basis for the decision; and
- (v) Records of client requests for proxy voting information.

With respect to Rydex Investments' Fund clients, each Fund shall maintain a copy of each of the records that is related to proxy votes on behalf of the Fund by Rydex Investments. Additionally, Rydex Investments may keep Fund client records as part of Rydex Investments' records.

Rydex Investments may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies, and may rely on proxy statements and records of proxy votes cast by Rydex Investments that are maintained with a third party, such as IRRC, provided that Rydex Investments has obtained an undertaking from the third party to provide a copy of the documents promptly upon request.

SCHEDULE A
TO
RYDEX INVESTMENTS
PROXY VOTING POLICIES AND PROCEDURES

PROXY VOTING GUIDELINES

Rydex Investments believes that management is generally in the best position to make decisions that are essential to the ongoing operation of the company and which are not expected to have a major impact on the corporation and its shareholders. Accordingly, Rydex Investments will generally vote with management on "routine items" of a corporate administrative nature. Rydex Investments will generally review all "non-routine items" (I.E., those items having the potential for major economic impact on the corporation and the long-term value of its shares) on a case-by-case basis.

BOARD OF DIRECTORS

A. Director Nominees in Uncontested Elections	Vote With Mgt.
B. Chairman and CEO is the Same Person	Vote With Mgt.
C. Majority of Independent Directors	Vote With Mgt.
D. Stock Ownership Requirements	Vote With Mgt.
E. Limit Tenure of Outside Directors	Vote With Mgt.
F. Director and Officer Indemnification and Liability Protection	Vote With Mgt.
G. Eliminate or Restrict Charitable Contributions	Vote With Mgt.

PROXY CONTESTS

A. Voting for Director Nominees in Contested Election	Vote With Mgt.
B. Reimburse Proxy Solicitation	Vote With Mgt.

AUDITORS

A. Ratifying Auditors	Vote With Mgt.
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PROXY CONTEST DEFENSES

A. Board Structure - Classified Board	Vote With Mgt.
B. Cumulative Voting	Vote With Mgt.
C. Shareholder Ability to Call Special Meetings	Vote With Mgt.

TENDER OFFER DEFENSES

A. Submit Poison Pill for shareholder ratification	Case-by-Case
B. Fair Price Provisions	Vote With Mgt.
C. Supermajority Shareholder Vote Requirement To Amend the Charter or Bylaws	Vote With Mgt.
D. Supermajority Shareholder Vote Requirement	Vote With Mgt.

MISCELLANEOUS GOVERNANCE PROVISIONS

A. Confidential Voting	Vote With Mgt.
B. Equal Access	Vote With Mgt.
C. Bundled Proposals	Vote With Mgt.

CAPITAL STRUCTURE

A. Common Stock Authorization	Vote With Mgt.
B. Stock Splits	Vote With Mgt.
C. Reverse Stock Splits	Vote With Mgt.
D. Preemptive Rights	Vote With Mgt.
E. Share Repurchase Programs	Vote With Mgt.

EXECUTIVE AND DIRECTOR COMPENSATION

- | | |
|---|----------------|
| A. Shareholder Proposals to Limit Executive and Directors Pay | Case-by-Case |
| B. Shareholder Ratification of Golden and Tin Parachutes | Vote With Mgt. |
| C. Employee Stock Ownership Plans | Vote With Mgt. |
| D. 401(k) Employee Benefit Plans | Vote With Mgt. |

STATE OF INCORPORATION

- | | |
|--|----------------|
| A. Voting on State Takeover Plans | Vote With Mgt. |
| B. Voting on Reincorporation Proposals | Vote With Mgt. |

MERGERS AND CORPORATE RESTRUCTURINGS

- | | |
|-----------------------------|----------------|
| A. Mergers and Acquisitions | Case-by-Case |
| B. Corporate Restructuring | Vote With Mgt. |
| C. Spin-Offs | Vote With Mgt. |
| D. Liquidations | Vote With Mgt. |

SOCIAL AND ENVIRONMENTAL ISSUES

- | | |
|--|----------------|
| A. Issues with Social/Moral Implications | Vote With Mgt. |
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PART C: OTHER INFORMATION

ITEM 23. EXHIBITS:

- (a) (1) Amended and Restated Certificate of Trust of Rydex Dynamic Funds (the "Registrant" or the "Trust") dated November 23, 1999 is incorporated herein by reference to Exhibit (a) (3) of Pre-Effective Amendment No. 1 to this Registration Statement, filed November 24, 1999.
- (a) (2) Amended and Restated Declaration of Trust of the Trust dated November 23, 1999 is incorporated herein by reference to Exhibit (a) (4) of Pre-Effective Amendment No. 1 to this Registration Statement, filed November 24, 1999.
- (b) Amended and Restated By-Laws of the Trust dated November 23, 1999 are incorporated herein by reference to Exhibit (b) (2) of Pre-Effective Amendment No. 1 to this Registration Statement, filed November 24, 1999.
- (c) Not Applicable.
- (d) Advisory Agreement dated April 30, 2004 between the Registrant and PADCO Advisors, Inc. is filed herewith.
- (e) Distribution Agreement dated December 16, 2003 between the Registrant and Rydex Distributors, Inc. is filed herewith.
- (f) Not Applicable.
- (g) Custody Agreement dated January 18, 2000 between the Registrant and Firststar Bank, N.A., is filed herewith.
- (h) (1) Amended and Restated Service Agreement dated November 15, 2004 between the Registrant and Rydex Fund Services, Inc. is filed herewith.
- (h) (2) Accounting Services Agreement dated May 1, 2000 between the Registrant and PADCO Service Company, Inc., d/b/a Rydex Fund Services, Inc. is incorporated herein by reference to Exhibit (h) (2) of Post-Effective Amendment No. 3 to this Registration Statement, filed April 30, 2001.
- (h) (3) Amendment dated June 1, 2003 to the Accounting Services Agreement dated May 1, 2000 between the Registrant and Rydex Fund Services, Inc. is incorporated herein by reference to Post-Effective Amendment No. 9 to this Registration Statement, filed on April 26, 2004.
- (h) (4) Amendment dated November 10, 2003 to the Accounting Services Agreement dated May 1, 2000 between the Registrant and Rydex Fund Services, Inc., is incorporated herein by reference to Post-Effective Amendment No. 9 to this Registration Statement, filed on April 26, 2004.
- (i) Opinion and Consent of Counsel, Morgan, Lewis & Bockius LLP, is filed herewith.

- (j) Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP, is filed herewith.
- (k) Not Applicable.
- (l) Not Applicable.
- (m) (1) Distribution Plan dated February 25, 2000 is incorporated herein by reference to Exhibit (m) of Post-Effective Amendment No. 3 to this Registration Statement, filed April 30, 2001.
- (m) (2) Amendment dated November 18, 2002 to the Distribution Plan dated February 25, 2000 is filed herewith
- (m) (3) Distribution and Shareholder Services Plan dated August 28, 2000 is incorporated herein by reference to Exhibit (e) of Post-Effective Amendment No. 3 to this Registration Statement, filed April 30, 2001.
- (m) (4) Amendment dated November 10, 2003 to the Distribution and Shareholder Services Plan dated August 28, 2000 is incorporated herein by reference to Post-Effective Amendment No. 9 to this Registration Statement, filed on April 26, 2004.
- (m) (5) Amendment dated November 10, 2003 to the Distribution Plan dated February 25, 2000 is incorporated herein by reference to Post-Effective Amendment No. 9 to this Registration Statement, filed on April 26, 2004.
- (n) (1) Rule 18f-3 Plan dated August 28, 2000 is incorporated herein by reference to Exhibit (e) of Post-Effective Amendment No. 3 to this Registration Statement, filed April 27, 2001.
- (n) (2) Amendment dated November 14, 2000 to the Rule 18f-3 Multiple Class Plan dated August 28, 2000 is filed herewith.
- (n) (3) Amendment dated March 2, 2001 to the Rule 18f-3 Multiple Class Plan dated August 28, 2000 is filed herewith.
- (n) (4) Amendment dated November 18, 2002 to the Rule 18f-3 Multiple Class Plan dated August 28, 2000 is filed herewith.
- (n) (5) Amendment dated November 10, 2003 to the Rule 18f-3 Multiple Class Plan dated August 28, 2000 is incorporated herein by reference to Post-Effective Amendment No. 9 to this Registration Statement, filed on April 26, 2004.
- (o) Not Applicable.
- (p) Combined Code of Ethics for Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust, Rydex ETF Trust, Rydex Capital Partners SPhinX Fund, PADCO Advisors, Inc. d/b/a Rydex Investments, PADCO Advisors II, Inc. d/b/a

Rydex Investments, Rydex Capital Partners I, LLC, Rydex Capital Partners II, LLC, Rydex Distributors, Inc., and Rydex Fund Services, Inc. is filed herewith.

- (q) Powers of Attorney for Albert P. Viragh, Jr., Carl G. Verboncoeur, Corey A. Colehour, J. Kenneth Dalton, John O. Demaret, Patrick T. McCarville, and Roger Somers is incorporated herein by reference to Exhibit (q) of Post-Effective Amendment No. 3 to this Registration Statement, filed April 27, 2001.

ITEM 24. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT

Not Applicable.

ITEM 25. INDEMNIFICATION

The Registrant is organized as a Delaware business trust and is operated pursuant to a Declaration of Trust, dated as of August 6, 1999 (the "Declaration of Trust"), that permits the Registrant to indemnify its trustees and officers under certain circumstances. Such indemnification, however, is subject to the limitations imposed by the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended. The Declaration of Trust of the Registrant provides that officers and trustees of the Trust shall be indemnified by the Trust against liabilities and expenses of defense in proceedings against

them by reason of the fact that they each serve as an officer or trustee of the Trust or as an officer or trustee of another entity at the request of the entity. This indemnification is subject to the following conditions:

- (a) no trustee or officer of the Trust is indemnified against any liability to the Trust or its security holders which was the result of any willful misfeasance, bad faith, gross negligence, or reckless disregard of his duties;
- (b) officers and trustees of the Trust are indemnified only for actions taken in good faith which the officers and trustees believed were in or not opposed to the best interests of the Trust; and
- (c) expenses of any suit or proceeding will be paid in advance only if the persons who will benefit by such advance undertake to repay the expenses unless it subsequently is determined that such persons are entitled to indemnification.

The Declaration of Trust of the Registrant provides that if indemnification is not ordered by a court, indemnification may be authorized upon determination by shareholders, or by a majority vote of a quorum of the trustees who were not parties to the proceedings or, if this quorum is not obtainable, if directed by a quorum of disinterested trustees, or by independent legal counsel in a written opinion, that the persons to be indemnified have met the applicable standard.

ITEM 26. BUSINESS AND OTHER CONNECTIONS OF THE INVESTMENT ADVISER

ADVISER

PADCO Advisors Inc., d/b/a Rydex Investments, (the "Advisor") is the investment advisor for the Trust. The principal address of the Advisor is 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850. The Advisor is an investment adviser registered under the Investment Advisers Act of 1940.

The officers and directors of the Advisor are as follows:

NAME	POSITION
-----	-----
Carl G. Verboncoeur	Chief Executive Officer and Treasurer
Michael P. Byrum	President and Secretary

Additional information as to any other business, profession, vocation or employment of substantial nature engaged in by each such officer and director is included in the Trust's Statement of Additional Information.

ITEM 27. PRINCIPAL UNDERWRITERS

- (a) Rydex Distributors, Inc. (formerly, PADCO Financial Services, Inc.) serves as the principal underwriter for the Registrant, Rydex Series Funds, Rydex Variable Trust, Rydex ETF Trust, and Rydex Capital Partners SPhinX Fund.
- (b) The following information is furnished with respect to the directors and officers of Rydex Distributors, Inc.

<TABLE>

<CAPTION>

NAME AND PRINCIPAL BUSINESS ADDRESS	POSITIONS AND OFFICES WITH UNDERWRITER	POSITIONS AND OFFICES WITH REGISTRANT
-----	-----	-----
<S>	<C>	<C>
Carl G. Verboncoeur	President, CEO, and Treasurer	President and CEO
Michael P. Byrum	None	Vice President
Nick Bonos	None	Vice President and Treasurer
Joanna M. Haigney	None	Secretary

</TABLE>

ITEM 28. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books, and records required to be maintained and preserved by Section 31(a) of the Investment Company Act of 1940, as amended, and Rules 31a-1 and 31a-2 thereunder, will be kept by the Registrant at 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850.

ITEM 29. MANAGEMENT SERVICES

There are no management-related service contracts not discussed in Parts A and B.

ITEM 30. UNDERTAKINGS

None.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 (the "Securities Act") and the Investment Company Act of 1940, as amended, the Registrant certifies that it meets all of the requirements for effectiveness of this Registration Statement under Rule 485(b) under the Securities Act and has duly caused this Post-Effective Amendment No. 10 to Registration Statement 333-84797 to be signed on its behalf by the undersigned, duly authorized, in the City of Rockville, State of Maryland on this 29th day of April, 2005.

RYDEX DYNAMIC FUNDS

By: /s/ CARL G. VERBONCOEUR

Carl G. Verboncoeur
President

Pursuant to the requirements of the Securities Act, this Post-Effective Amendment No. 10 to the Registration Statement has been signed below by the following persons in the capacities on the dates indicated.

<TABLE> <CAPTION> SIGNATURE ----- <S>	TITLE ----- <C>	DATE ----- <C>
/s/ CARL G. VERBONCOEUR ----- Carl G. Verboncoeur	President and Chief Executive Officer	April 29, 2005
* ----- Corey A. Colehour	Member of the Board of Trustees	April 29, 2005
* ----- J. Kenneth Dalton	Member of the Board of Trustees	April 29, 2005
* ----- John O. Demaret	Member of the Board of Trustees	April 29, 2005
* ----- Roger Somers	Member of the Board of Trustees	April 29, 2005
* ----- Patrick T. McCarville	Member of the Board of Trustees	April 29, 2005

*By /s/ CARL G. VERBONCOEUR

Carl G. Verboncoeur, Attorney-in-Fact, pursuant to powers of attorney previously filed.
</TABLE>

RYDEX DYNAMIC FUNDS
EXHIBIT INDEX

NUMBER -----	EXHIBIT: -----
EX-99.D	Advisory Agreement dated April 30, 2004.
EX-99.E	Distribution Agreement dated December 16, 2003.
EX-99.G	Custody Agreement dated January 18, 2000.
EX-99.H1	Amended and Restated Service Agreement dated November 15, 2004.
EX-99.I	Opinion and Consent of Counsel, Morgan, Lewis & Bockius LLP.
EX-99.J	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP.

EX-99.M2 Amendment dated November 18, 2002 to the Distribution Plan.

EX-99.N2 Amendment dated November 14, 2000 to the Rule 18f-3 Multiple Class Plan.

EX-99.N3 Amendment dated March 2, 2001 to the Rule 18f-3 Multiple Class Plan.

EX-99.N4 Amendment dated November 18, 2002 to the Rule 18f-3 Multiple Class Plan.

EX-99.P Combined Code of Ethics for Rydex Series Funds, Rydex Dynamic Funds, Rydex Variable Trust, Rydex ETF Trust, Rydex Capital Partners SPhinX Fund, PADCO Advisors, Inc. d/b/a Rydex Investments, PADCO Advisors II, Inc d/b/a Rydex Investments, Rydex Capital Partners I, LLC, Rydex Capital Partners II, LLC, Rydex Distributors, Inc. and Rydex Fund Services, Inc.

ADVISORY AGREEMENT

ADVISORY AGREEMENT made as of this 30th day of April, 2004 by and between RYDEX DYNAMIC FUNDS (the "Trust"), a Delaware statutory trust registered as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), and PADCO ADVISORS, INC., a Maryland corporation with its principal place of business at 9601 Blackwell Road, Suite 500, Rockville, Maryland 20850 (the "Adviser").

W I T N E S S E T H

WHEREAS, the Board of Trustees (the "Board") of the Trust has selected the Adviser to act as investment adviser to the Trust on behalf of the series set forth on Schedule A to this Agreement (each a "Fund" and, collectively, the "Funds"), as such Schedule may be amended from time to time upon mutual agreement of the parties, and to provide certain related services, as more fully set forth below, and to perform such services under the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants and benefits set forth herein, the Trust and the Adviser do hereby agree as follows:

1. THE ADVISER'S SERVICES.

(a) DISCRETIONARY INVESTMENT MANAGEMENT SERVICES. The Adviser shall act as investment adviser with respect to the Funds. In such capacity, the Adviser shall, subject to the supervision of the Board, regularly provide the Funds with investment research, advice and supervision and shall furnish continuously an investment program for the Funds, consistent with the respective investment objectives and policies of each Fund. The Adviser shall determine, from time to time, what securities shall be purchased for the Funds, what securities shall be held or sold by the Funds and what portion of the Funds' assets shall be held uninvested in cash, subject always to the provisions of the Trust's Agreement and Declaration of Trust, By-Laws and its registration statement on Form N-1A (the "Registration Statement") under the 1940 Act, and under the Securities Act of 1933, as amended (the "1933 Act"), covering Fund shares, as filed with the Securities and Exchange Commission (the "Commission"), and to the investment objectives, policies and restrictions of the Funds, as each of the same shall be from time to time in effect. To carry out such obligations, the Adviser shall exercise full discretion and act for the Funds in the same manner and with the same force and effect as the Funds themselves might or could do with respect to purchases, sales or other transactions, as well as with respect to all other such things necessary or incidental to the furtherance or conduct of such purchases, sales or other transactions. No reference in this Agreement to the Adviser having full discretionary authority over each Fund's investments shall in any way limit the right of the Board, in its sole discretion, to establish or revise policies in connection with the management of a Fund's assets or

to otherwise exercise its right to control the overall management of a Fund.

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(b) COMPLIANCE. The Adviser agrees to comply with the requirements of the 1940 Act, the Investment Advisers Act of 1940 (the "Advisers Act"), the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Commodity Exchange Act and the respective rules and regulations thereunder, as applicable, as well as with all other applicable federal and state laws, rules, regulations and case law that relate to the services and relationships described hereunder and to the conduct of its business as a registered investment adviser. The Adviser also agrees to comply with the objectives, policies and restrictions set forth in the Registration Statement, as amended or supplemented, of the Funds, and with any policies, guidelines, instructions and procedures approved by the Board and provided to the Adviser. In selecting each Fund's portfolio securities and performing the Adviser's obligations hereunder, the Adviser shall cause the Fund to comply with the diversification and source of income requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. The Adviser shall maintain compliance procedures that it reasonably believes are adequate to ensure the its compliance with the foregoing. No supervisory activity undertaken by the Board shall limit the Adviser's full responsibility for any of the foregoing.

(c) PROXY VOTING. The Board has the authority to determine how proxies with respect to securities that are held by the Funds shall be voted, and the Board has initially determined to delegate the authority and responsibility to vote proxies for the Fund's securities to the Adviser. So long as proxy voting authority for the Fund has been delegated to the Adviser, the Adviser shall exercise its proxy voting responsibilities. Adviser shall carry out such responsibility in accordance with any instructions that the Board shall provide from time to time, and at all times in a manner consistent with Rule 206(4)-6 under the Advisers Act and its fiduciary responsibilities to the Trust. The Adviser shall provide periodic reports and keep records relating to proxy voting as the Board may reasonably request or as may be necessary for the Funds to comply with the 1940 Act and other applicable law. Any such delegation of proxy voting responsibility to the Adviser may be revoked or modified by the Board at any time.

(d) RECORDKEEPING. The Adviser shall not be responsible for the provision of administrative, bookkeeping or accounting services to the Fund, except as otherwise provided herein or as may be necessary for the Adviser to supply to the Trust or its Board the information required to be supplied under this Agreement.

The Adviser shall maintain separate books and detailed records of

all matters pertaining to Fund assets advised by the Adviser required by Rule 31a-1 under the 1940 Act (other than those records being maintained by any administrator, custodian or transfer agent appointed by the Funds) relating to its responsibilities provided hereunder with respect to the Funds, and shall preserve such records for the periods and in a manner prescribed therefore by Rule 31a-2 under the 1940 Act (the "Fund Books and Records"). The Fund Books and Records shall be available to the Board at any time upon request, shall be delivered to the Trust upon the termination of this Agreement and shall be available without delay during any day the Trust is open for business.

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(e) HOLDINGS INFORMATION AND PRICING. The Adviser shall provide regular reports regarding Fund holdings, and shall, on its own initiative, furnish the Trust and its Board from time to time with whatever information the Adviser believes is appropriate for this purpose. The Adviser agrees to immediately notify the Trust if the Adviser reasonably believes that the value of any security held by a Fund may not reflect fair value. The Adviser agrees to provide any pricing information of which the Adviser is aware to the Trust, its Board and/or any Fund pricing agent to assist in the determination of the fair value of any Fund holdings for which market quotations are not readily available or as otherwise required in accordance with the 1940 Act or the Trust's valuation procedures for the purpose of calculating the Fund net asset value in accordance with procedures and methods established by the Board.

(f) COOPERATION WITH AGENTS OF THE TRUST. The Adviser agrees to cooperate with and provide reasonable assistance to the Trust, any Trust custodian or foreign sub-custodians, any Trust pricing agents and all other agents and representatives of the Trust, such information with respect to the Funds as they may reasonably request from time to time in the performance of their obligations, provide prompt responses to reasonable requests made by such persons and establish appropriate interfaces with each so as to promote the efficient exchange of information and compliance with applicable laws and regulations.

2. CODE OF ETHICS. The Adviser has adopted a written code of ethics that it reasonably believes complies with the requirements of Rule 17j-1 under the 1940 Act, which it will provide to the Trust. The Adviser shall ensure that its Access Persons (as defined in the Adviser's Code of Ethics) comply in all material respects with the Adviser's Code of Ethics, as in effect from time to time. Upon request, the Adviser shall provide the Trust with a (i) a copy of the Adviser's current Code of Ethics, as in effect from time to time, and (ii) certification that it has adopted procedures reasonably necessary to prevent Access Persons from engaging in any conduct prohibited by the Adviser's Code of Ethics. Annually, the Adviser shall furnish a written report, which complies with the requirements of Rule 17j-1, concerning the Adviser's Code of Ethics to the Trust. The Adviser shall respond to requests for information from the Trust

as to violations of the Code by Access Persons and the sanctions imposed by the Adviser. The Adviser shall immediately notify the Trust of any material violation of the Code, whether or not such violation relates to an security held by any Fund.

3. INFORMATION AND REPORTING. The Adviser shall provide the Trust and its respective officers with such periodic reports concerning the obligations the Adviser has assumed under this Agreement as the Trust may from time to time reasonably request.

(a) NOTIFICATION OF BREACH / COMPLIANCE REPORTS. The Adviser shall notify the Trust immediately upon detection of (i) any material failure to manage any Fund in accordance with its investment objectives and policies or any applicable law; or (ii) any material breach of any of the Funds' or the Adviser's policies, guidelines or procedures. In addition, the Adviser shall provide a quarterly report regarding each Fund's compliance with its investment objectives and policies,

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applicable law, including, but not limited to the 1940 Act and Subchapter M of the Code, and the Fund's policies, guidelines or procedures as applicable to the Adviser's obligations under this Agreement. The Adviser agrees to correct any such failure promptly and to take any action that the Board may reasonably request in connection with any such breach. Upon request, the Adviser shall also provide the officers of the Trust with supporting certifications in connection with such certifications of Fund financial statements and disclosure controls pursuant to the Sarbanes-Oxley Act. The Adviser will promptly notify the Trust in the event (i) the Adviser is served or otherwise receives notice of any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board, or body, involving the affairs of the Trust (excluding class action suits in which a Fund is a member of the plaintiff class by reason of the Fund's ownership of shares in the defendant) or the compliance by the Adviser with the federal or state securities laws or (ii) an actual change in control of the Adviser resulting in an "assignment" (as defined in the 1940 Act) has occurred or is otherwise proposed to occur.

(b) BOARD AND FILINGS INFORMATION. The Adviser will also provide the Trust with any information reasonably requested regarding its management of the Funds required for any meeting of the Board, or for any shareholder report, amended registration statement, proxy statement, or prospectus supplement to be filed by the Trust with the Commission. The Adviser will make its officers and employees available to meet with the Board from time to time on due notice to review its investment management services to the Funds in light of current and prospective economic and market conditions and shall furnish to the Board such information as may reasonably be necessary in order for the Board to evaluate this Agreement or any

proposed amendments thereto.

(c) TRANSACTION INFORMATION. The Adviser shall furnish to the Trust such information concerning portfolio transactions as may be necessary to enable the Trust or its designated agent to perform such compliance testing on the Funds and the Adviser's services as the Trust may, in its sole discretion, determine to be appropriate. The provision of such information by the Adviser to the Trust or its designated agent in no way relieves the Adviser of its own responsibilities under this Agreement.

4. BROKERAGE.

(a) PRINCIPAL TRANSACTIONS. In connection with purchases or sales of securities for the account of a Fund, neither the Adviser nor any of its directors, officers or employees will act as a principal or agent or receive any commission except as permitted by the 1940 Act.

(b) PLACEMENT OF ORDERS. The Adviser shall arrange for the placing of all orders for the purchase and sale of securities for a Fund's account with brokers or dealers selected by the Adviser. In the selection of such brokers or dealers and the placing of such orders, the Adviser is directed at all times to seek for the Fund the most favorable execution and net price available under the circumstances. It is also understood that it is desirable for the Fund that the Adviser have access to brokerage and research services provided by brokers who may execute brokerage transactions at a higher cost to the Fund

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than may result when allocating brokerage to other brokers, consistent with section 28(e) of the 1934 Act and any Commission staff interpretations thereof. Therefore, the Adviser is authorized to place orders for the purchase and sale of securities for a Fund with such brokers, subject to review by the Board from time to time with respect to the extent and continuation of this practice. It is understood that the services provided by such brokers may be useful to the Adviser in connection with its or its affiliates' services to other clients.

(c) AGGREGATED TRANSACTIONS. On occasions when the Adviser deems the purchase or sale of a security to be in the best interest of a Fund as well as other clients of the Adviser, the Adviser may, to the extent permitted by applicable law and regulations, aggregate the order for securities to be sold or purchased. In such event, the Adviser will allocate securities or futures contracts so purchased or sold, as well as the expenses incurred in the transaction, in the manner the Adviser reasonably considers to be equitable and consistent with its fiduciary obligations to the Fund and to such other clients under the circumstances.

(d) AFFILIATED BROKERS. The Adviser or any of its affiliates may act as broker in connection with the purchase or sale of securities or other

investments for a Fund, subject to: (a) the requirement that the Adviser seek to obtain best execution and price within the policy guidelines determined by the Board and set forth in the Fund's current prospectus and SAI; (b) the provisions of the 1940 Act; (c) the provisions of the Advisers Act; (d) the provisions of the 1934 Act; and (e) other provisions of applicable law. These brokerage services are not within the scope of the duties of the Adviser under this Agreement. Subject to the requirements of applicable law and any procedures adopted by the Board, the Adviser or its affiliates may receive brokerage commissions, fees or other remuneration from a Fund for these services in addition to the Adviser's fees for services under this Agreement.

5. CUSTODY. Nothing in this Agreement shall permit the Adviser to take or receive physical possession of cash, securities or other investments of a Fund.

6. ALLOCATION OF CHARGES AND EXPENSES. The Adviser will bear its own costs of providing services hereunder. Other than as herein specifically indicated, the Adviser shall not be responsible for a Fund's expenses, including brokerage and other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS.

(a) PROPERLY REGISTERED. The Adviser is registered as an investment adviser under the Advisers Act, and will remain so registered for the duration of this Agreement. The Adviser is not prohibited by the Advisers Act or the 1940 Act from performing the services contemplated by this Agreement, and to the best knowledge of the Adviser, there is no proceeding or investigation that is reasonably likely to result in the Adviser being prohibited from performing the services contemplated by this Agreement. The Adviser agrees to promptly notify the Trust of the occurrence of any event that would disqualify

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the Adviser from serving as an investment adviser to an investment company. The Adviser is in compliance in all material respects with all applicable federal and state law in connection with its investment management operations.

(b) ADV DISCLOSURE. The Adviser has provided the Trust with a copy of its Form ADV as most recently filed with the SEC and will, promptly after filing any amendment to its Form ADV with the SEC, furnish a copy of such amendments to the Trust. The information contained in the Adviser's Form ADV is accurate and complete in all material respects and does not omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(c) FUND DISCLOSURE DOCUMENTS. The Adviser has reviewed and will in the future review, the Registration Statement, and any amendments or supplements thereto, the annual or semi-annual reports to shareholders, other reports filed with the Commission and any marketing material of a Fund (collectively the "Disclosure Documents") and represents and warrants that with respect to disclosure about the Adviser, the manner in which the Adviser manages the Fund or information relating directly or indirectly to the Adviser, such Disclosure Documents contain or will contain, as of the date thereof, no untrue statement of any material fact and does not omit any statement of material fact which was required to be stated therein or necessary to make the statements contained therein not misleading.

(d) USE OF THE NAME "RYDEX". The Adviser has the right to use the name "Rydex" in connection with its services to the Trust and that, subject to the terms set forth in Section 8 of this Agreement, the Trust shall have the right to use the name "Rydex" in connection with the management and operation of the Funds. The Adviser is not aware of any threatened or existing actions, claims, litigation or proceedings that would adversely effect or prejudice the rights of the Adviser or the Trust to use the name "Rydex".

(e) INSURANCE. The Adviser maintains errors and omissions insurance coverage in an appropriate amount and shall provide prior written notice to the Trust (i) of any material changes in its insurance policies or insurance coverage; or (ii) if any material claims will be made on its insurance policies. Furthermore, the Adviser shall upon reasonable request provide the Trust with any information it may reasonably require concerning the amount of or scope of such insurance.

(f) NO DETRIMENTAL AGREEMENT. The Adviser represents and warrants that it has no arrangement or understanding with any party, other than the Trust, that would influence the decision of the Adviser with respect to its selection of securities for a Fund, and that all selections shall be done in accordance with what is in the best interest of the Fund.

(g) CONFLICTS. The Adviser shall act honestly, in good faith and in the best interests of the Trust including requiring any of its personnel with knowledge of Fund

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activities to place the interest of the Fund first, ahead of their own interests, in all personal trading scenarios that may involve a conflict of interest with the Funds, consistent with its fiduciary duties under applicable law.

(h) REPRESENTATIONS. The representations and warranties in this Section 7 shall be deemed to be made on the date this Agreement is executed and at the time of delivery of the quarterly compliance report

required by Section 3(a), whether or not specifically referenced in such report.

8. THE NAME "RYDEX". The Adviser grants to the Trust a license to use the name "Rydex" (the "Name") as part of the name of any Fund. The foregoing authorization by the Adviser to the Trust to use the Name as part of the name of any Fund is not exclusive of the right of the Adviser itself to use, or to authorize others to use, the Name; the Trust acknowledges and agrees that, as between the Trust and the Adviser, the Adviser has the right to use, or authorize others to use, the Name. The Trust shall (1) only use the Name in a manner consistent with uses approved by the Adviser; (2) use its best efforts to maintain the quality of the services offered using the Name; (3) adhere to such other specific quality control standards as the Adviser may from time to time promulgate. At the request of the Adviser, the Trust will (a) submit to Adviser representative samples of any promotional materials using the Name; and (b) change the name of any Fund within three months of its receipt of the Adviser's request, or such other shorter time period as may be required under the terms of a settlement agreement or court order, so as to eliminate all reference to the Name and will not thereafter transact any business using the Name in the name of any Fund; provided, however, that the Trust may continue to use beyond such date any supplies of prospectuses, marketing materials and similar documents that the Trust had on the date of such name change in quantities not exceeding those historically produced and used in connection with such Fund.

9. ADVISER'S COMPENSATION. The Funds shall pay to the Adviser, as compensation for the Adviser's services hereunder, a fee, determined as described in Schedule A that is attached hereto and made a part hereof. Such fee shall be computed daily and paid not less than monthly in arrears by the Funds.

The method for determining net assets of a Fund for purposes hereof shall be the same as the method for determining net assets for purposes of establishing the offering and redemption prices of Fund shares as described in the Fund's prospectus. In the event of termination of this Agreement, the fee provided in this Section shall be computed on the basis of the period ending on the last business day on which this Agreement is in effect subject to a pro rata adjustment based on the number of days elapsed in the current month as a percentage of the total number of days in such month.

10. INDEPENDENT CONTRACTOR. In the performance of its duties hereunder, the Adviser is and shall be an independent contractor and, unless otherwise expressly provided herein or otherwise authorized in writing, shall have no authority to act for or represent the Trust or any Fund in any way or otherwise be deemed to be an agent of the Trust or any Fund. If any occasion should arise in which the Adviser gives any advice to its clients concerning the shares

of a Fund, the Adviser will act solely as investment counsel for such clients and not in any way on behalf of the Fund.

11. ASSIGNMENT AND AMENDMENTS. This Agreement shall automatically terminate, without the payment of any penalty, in the event of its assignment (as defined in section 2(a)(4) of the 1940 Act); provided that such termination shall not relieve the Adviser of any liability incurred hereunder.

This Agreement may not be added to or changed orally and may not be modified or rescinded except by a writing signed by the parties hereto and in accordance with the 1940 Act, when applicable.

12. DURATION AND TERMINATION.

(a) This Agreement shall become effective as of the date executed and shall remain in full force and effect continually thereafter, subject to renewal as provided in Section 12(d) and unless terminated automatically as set forth in Section 11 hereof or until terminated as follows:

(b) The Trust may cause this Agreement to terminate either (i) by vote of its Board or (ii) with respect to any Fund, upon the affirmative vote of a majority of the outstanding voting securities of the Fund; or

(c) The Adviser may at any time terminate this Agreement by not more than sixty (60) days' nor less than thirty (30) days' written notice delivered or mailed by registered mail, postage prepaid, to the Trust; or

(d) This Agreement shall automatically terminate two years from the date of its execution unless its renewal is specifically approved at least annually thereafter by (i) a majority vote of the Trustees, including a majority vote of such Trustees who are not interested persons of the Trust or the Adviser, at a meeting called for the purpose of voting on such approval; or (ii) the vote of a majority of the outstanding voting securities of each Fund; provided, however, that if the continuance of this Agreement is submitted to the shareholders of the Funds for their approval and such shareholders fail to approve such continuance of this Agreement as provided herein, the Adviser may continue to serve hereunder as to the Funds in a manner consistent with the 1940 Act and the rules and regulations thereunder; and

Termination of this Agreement pursuant to this Section shall be without payment of any penalty.

In the event of termination of this Agreement for any reason, the Adviser shall, immediately upon notice of termination or on such later date as may be specified in such notice, cease all activity on behalf of the Fund and with respect to any of its assets, except as otherwise required by any fiduciary duties of the Adviser under applicable law. In addition, the Adviser shall deliver the Fund Books and Records to the Trust by such means and in accordance with

such schedule as the Trust shall direct and shall otherwise cooperate, as reasonably directed by the Trust, in the transition of portfolio asset management to any successor of the Adviser.

13. CERTAIN DEFINITIONS. For the purposes of this Agreement:

(a) "Affirmative vote of a majority of the outstanding voting securities of the Fund" shall have the meaning as set forth in the 1940 Act, subject, however, to such exemptions as may be granted by the Commission under the 1940 Act or any interpretations of the Commission staff.

(b) "Interested persons" and "Assignment" shall have their respective meanings as set forth in the 1940 Act, subject, however, to such exemptions as may be granted by the Commission under the 1940 Act or any interpretations of the Commission staff.

14. LIABILITY OF THE ADVISER. The Adviser shall indemnify and hold harmless the Trust and all affiliated persons thereof (within the meaning of Section 2(a)(3) of the 1940 Act) and all controlling persons (as described in Section 15 of the 1933 Act) (collectively, the "Adviser Indemnitees") against any and all losses, claims, damages, liabilities or litigation (including reasonable legal and other expenses) by reason of or arising out of: (a) the Adviser being in material violation of any applicable federal or state law, rule or regulation or any investment policy or restriction set forth in the Funds' Registration Statement or any written guidelines or instruction provided in writing by the Board, (b) a Fund's failure to satisfy the diversification or source of income requirements of Subchapter M of the Code, or (c) the Adviser's willful misfeasance, bad faith or gross negligence generally in the performance of its duties hereunder or its reckless disregard of its obligations and duties under this Agreement.

15. ENFORCEABILITY. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms or provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

16. LIMITATION OF LIABILITY. The parties to this Agreement acknowledge and agree that all litigation arising hereunder, whether direct or indirect, and of any and every nature whatsoever shall be satisfied solely out of the assets of the affected Fund and that no Trustee, officer or holder of shares of beneficial interest of the Fund shall be personally liable for any of the foregoing liabilities. The Trust's Certificate of Trust, as amended from time to time, is on file in the Office of the Secretary of State of the State of Delaware. Such Certificate of Trust and the Trust's Agreement and Declaration of Trust describe

in detail the respective responsibilities and limitations on liability of the Trustees, officers, and holders of shares of beneficial interest.

17. JURISDICTION. This Agreement shall be governed by and construed in accordance with the substantive laws of state of Delaware and the Adviser consents to the jurisdiction of courts, both state or federal, in Delaware, with respect to any dispute under this Agreement.

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18. PARAGRAPH HEADINGS. The headings of paragraphs contained in this Agreement are provided for convenience only, form no part of this Agreement and shall not affect its construction.

19. COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed on their behalf by their duly authorized officers as of the date first above written.

RYDEX DYNAMIC FUNDS, on behalf of each Fund listed on Schedule A

By: /s/ Carl G. Verboncoeur

Name: Carl G. Verboncoeur
Title: President

PADCO ADVISORS, INC.

By: /s/ Carl G. Verboncoeur

Name: Carl G. Verboncoeur
Title: Chief Executive Officer

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SCHEDULE A
TO THE

ADVISORY AGREEMENT
DATED APRIL 30, 2004 BETWEEN
RYDEX DYNAMIC FUNDS
AND
PADCO ADVISORS, INC.

The Trust will pay to the Adviser as compensation for the Adviser's services rendered, a fee, computed daily at an annual rate based on the average daily net assets of the respective Fund in accordance the following fee schedule:

FUND	RATE
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Titan 500*	0.90%
Titan 500 Master	0.90%
Tempest 500*	0.90%
Tempest 500 Master	0.90%
Velocity 100*	0.90%
Velocity 100 Master	0.90%
Venture 100*	0.90%
Venture 100 Master	0.90%
Long Dynamic Dow 30*	0.90%
Long Dynamic Dow 30 Master	0.90%
Inverse Dynamic Dow 30*	0.90%
Inverse Dynamic Dow 30 Master	0.90%

*The fee will be reduced to 0.00% for any period during which the Fund invests through a master-feeder structure.

DISTRIBUTION AGREEMENT

THIS AGREEMENT is made as of December 16, 2003, between RYDEX DYNAMIC FUNDS (the "Trust"), a Delaware business trust and RYDEX DISTRIBUTORS, INC. (the "Distributor"), a Maryland corporation.

WHEREAS, the Trust is registered as an investment company with the Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, as amended (the "1940 Act"), and its shares are registered with the SEC under the Securities Act of 1933, as amended (the "1933 Act"); and

WHEREAS, the Distributor is registered as a broker-dealer with the SEC under the Securities Exchange Act of 1934, as amended;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the Trust and Distributor hereby agree as follows:

ARTICLE 1. SALE OF SHARES. The Trust grants to the Distributor the exclusive right to sell units (the "Shares") of the portfolios (the "Portfolios") of the Trust, in such classes as may be offered from time to time, at the net asset value per Share, plus any applicable sales charges in accordance with the current prospectus, as agent and on behalf of the Trust, during the term of this Agreement and subject to the registration requirements of the 1933 Act, the rules and regulations of the SEC and the laws governing the sale of securities in the various states ("Blue Sky Laws").

ARTICLE 2. SOLICITATION OF SALES. In consideration of these rights granted to the Distributor, the Distributor agrees to use all reasonable efforts in connection with the distribution of Shares of the Trust; provided, however, that the Distributor shall not be prevented from entering into like arrangements with other issuers. The provisions of this paragraph do not obligate the Distributor to register as a broker or dealer under the Blue Sky Laws of any jurisdiction when it determines it would be uneconomical for it to do so or to maintain its registration in any jurisdiction in which it is now registered or obligate the Distributor to sell any particular number of Shares.

ARTICLE 3. AUTHORIZED REPRESENTATIONS. The Distributor is not authorized by the Trust to give any information or to make any representations other than those contained in the current registration statements and prospectuses of the Trust filed with the SEC or contained in shareholder reports or other material that may be prepared by or on behalf of the Trust for the Distributor's use. The Distributor may prepare and distribute sales literature and other material, as it may deem appropriate, provided that such literature and materials have been prepared in accordance with applicable rules and regulations.

ARTICLE 4. REGISTRATION OF SHARES. The Trust agrees that it will take all action necessary to register Shares under the federal and state securities laws so that there will be available for sale the number of Shares the Distributor may reasonably be expected to sell and to pay all fees associated with said

registration. The Trust shall make available to the Distributor

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such number of copies of its currently effective prospectus and statement of additional information as the Distributor may reasonably request. The Trust shall furnish to the Distributor copies of all information, financial statements and other papers that the Distributor may reasonably request for use in connection with the distribution of Shares of the Trust.

ARTICLE 5. COMPENSATION. As compensation for providing the services under this Agreement:

(a) The Distributor shall receive from the Trust:

(1) distribution and service fees, if any, at the rate and under the terms and conditions set forth in each distribution and/or shareholder services plan applicable to the appropriate class of shares of each Portfolio, as such plans may be amended from time to time, and subject to any further limitations on such fees as the Board of Trustees of the Trust may impose;

(2) front-end sales charges, if any, on purchases of Shares of each Portfolio sold subject to such charges as described in the Trust's Registration Statement and current prospectuses, as amended from time to time. The Distributor, or brokers, dealers and other financial institutions and intermediaries that have entered into sub-distribution agreements with the Distributor, may collect the gross proceeds derived from the sale of such Shares, remit the net asset value thereof to the Trust upon receipt of the proceeds and retain the applicable sales charge; and

(3) contingent deferred sales charges ("CDSCs"), if any, applied on redemptions of Shares subject to such charges on the terms and subject to such waivers as are described in the Trust's Registration Statement and current prospectuses, as amended from time to time, or as otherwise required pursuant to applicable law.

(b) The Distributor may reallow any or all of the distribution or service fees, front-end sales charges and contingent deferred sales charges which it is paid by the Trust to such brokers, dealers and other financial institutions and intermediaries as the Distributor may from time to time determine.

ARTICLE 6. INDEMNIFICATION OF DISTRIBUTOR. The Trust agrees to indemnify and hold harmless the Distributor and each of its directors and officers and each person, if any, who controls the Distributor within the meaning of Section 15 of the 1933 Act against any loss, liability, claim, damages or expense (including the reasonable cost of investigating or defending any alleged loss,

liability, claim, damages, or expense and reasonable counsel fees and disbursements incurred in connection therewith), arising by reason of any person acquiring any Shares, based upon the ground that the registration statement, prospectus, shareholder reports or other information filed or made public by the Trust (as from time to time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated or necessary in order to make the statements made not misleading. However, the Trust does not agree to indemnify the Distributor or hold it harmless to the extent that the statements or omission was made in reliance upon, and in conformity with, information furnished to the Trust by or on

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behalf of the Distributor.

In no case (i) is the indemnity of the Trust to be deemed to protect the Distributor against any liability to the Trust or its Shareholders to which the Distributor or such person otherwise would be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under this Agreement, or (ii) is the Trust to be liable to the Distributor under the indemnity agreement contained in this paragraph with respect to any claim made against the Distributor or any person indemnified unless the Distributor or other person shall have notified the Trust in writing of the claim within a reasonable time after the summons or other first written notification giving information of the nature of the claim shall have been served upon the Distributor or such other person (or after the Distributor or the person shall have received notice of service on any designated agent). However, failure to notify the Trust of any claim shall not relieve the Trust from any liability which it may have to the Distributor or any person against whom such action is brought otherwise than on account of its indemnity agreement contained in this paragraph.

The Trust shall be entitled to participate at its own expense in the defense or, if it so elects, to assume the defense of any suit brought to enforce any claims subject to this indemnity provision. If the Trust elects to assume the defense of any such claim, the defense shall be conducted by counsel chosen by the Trust and satisfactory to the indemnified defendants in the suit whose approval shall not be unreasonably withheld. In the event that the Trust elects to assume the defense of any suit and retain counsel, the indemnified defendants shall bear the fees and expenses of any additional counsel retained by them. If the Trust does not elect to assume the defense of a suit, it will reimburse the indemnified defendants for the reasonable fees and expenses of any counsel retained by the indemnified defendants.

The Trust agrees to notify the Distributor promptly of the commencement of any litigation or proceedings against it or any of its officers or Trustees in connection with the issuance or sale of any of its Shares.

ARTICLE 7. INDEMNIFICATION OF TRUST. The Distributor covenants and agrees that it will indemnify and hold harmless the Trust and each of its Trustees and officers and each person, if any, who controls the Trust within the meaning of Section 15 of the 1933 Act, against any loss, liability, damages, claim or expense (including the reasonable cost of investigating or defending any alleged loss, liability, damages, claim or expense and reasonable counsel fees incurred in connection therewith) based upon the 1933 Act or any other statute or common law and arising by reason of any person acquiring any Shares, and alleging a wrongful act of the Distributor or any of its employees or alleging that the registration statement, prospectus, Shareholder reports or other information filed or made public by the Trust (as from time to time amended) included an untrue statement of a material fact or omitted to state a material fact required to be stated or necessary in order to make the statements not misleading, insofar as the statement or omission was made in reliance upon and in conformity with information furnished to the Trust by or on behalf of the Distributor.

In no case (i) is the indemnity of the Distributor in favor of the Trust or any other person indemnified to be deemed to protect the Trust or any other person against any liability to which the Trust or such other person would otherwise be subject by reason of willful misfeasance, bad faith or

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gross negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under this Agreement, or (ii) is the Distributor to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against the Trust or any person indemnified unless the Trust or person, as the case may be, shall have notified the Distributor in writing of the claim within a reasonable time after the summons or other first written notification giving information of the nature of the claim shall have been served upon the Trust or upon any person (or after the Trust or such person shall have received notice of service on any designated agent). However, failure to notify the Distributor of any claim shall not relieve the Distributor from any liability which it may have to the Trust or any person against whom the action is brought otherwise than on account of its indemnity agreement contained in this paragraph.

The Distributor shall be entitled to participate, at its own expense, in the defense or, if it so elects, to assume the defense of any suit brought to enforce the claim, but if the Distributor elects to assume the defense, the defense shall be conducted by counsel chosen by the Distributor and satisfactory to the indemnified defendants whose approval shall not be unreasonably withheld. In the event that the Distributor elects to assume the defense of any suit and retain counsel, the defendants in the suit shall bear the fees and expenses of any additional counsel retained by them. If the Distributor does not elect to assume the defense of any suit, it will reimburse the indemnified defendants in the suit for the reasonable fees and expenses of any counsel retained by them.

The Distributor agrees to notify the Trust promptly of the commencement of

any litigation or proceedings against it or any of its officers in connection with the issue and sale of any of the Trusts' Shares.

ARTICLE 8. CONSEQUENTIAL DAMAGES. In no event and under no circumstances shall either party to this Agreement be liable to anyone, including, without limitation, the other party, for consequential damages for any act or failure to act under any provision of this Agreement.

ARTICLE 9. EFFECTIVE DATE. This Agreement shall be effective upon its execution, and, unless terminated as provided, shall continue in force for one year from the effective date and thereafter from year to year, provided that such annual continuance is approved by (i) either the vote of a majority of the Trustees of the Trust, or the vote of a majority of the outstanding voting securities of the Trust, and (ii) the vote of a majority of those Trustees of the Trust who are not parties to this Agreement or the Trust's distribution plan or interested persons of any such party ("Qualified Trustees"), cast in person at a meeting called for the purpose of voting on the approval. This Agreement shall automatically terminate in the event of its assignment. As used in this paragraph the terms "vote of a majority of the outstanding voting securities," "assignment" and "interested person" shall have the respective meanings specified in the 1940 Act. In addition, this Agreement may at any time be terminated without penalty by the Distributor, by a vote of a majority of Qualified Trustees or by vote of a majority of the outstanding voting securities of the Trust upon not less than sixty days prior written notice to the other party.

ARTICLE 10. NOTICES. Any notice required or permitted to be given by either party to the other shall be deemed sufficient if sent by registered or certified mail, postage prepaid, addressed by the party giving notice to the other party at the last address furnished by the other party to the party giving notice: if to the Trust, 9601 Blackwell Road, Suite 500, Rockville, MD

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20850, and if to the Distributor, 9601 Blackwell Road, Suite 500, Rockville, MD 20850.

ARTICLE 11. LIMITATION OF LIABILITY. A copy of the Certificate of Trust of the Trust is on file with the Secretary of State of the State of Delaware, and notice is hereby given that this Agreement is executed on behalf of the Trustees of the Trust as Trustees and not individually and that the obligations of this instrument are not binding upon any of the Trustees, officers or shareholders of the Trust individually but binding only upon the assets and property of the Trust.

ARTICLE 12. ENTIRE AGREEMENT; AMENDMENTS. This Agreement constitutes the entire agreement between the parties hereto and supersedes any prior agreement, draft or agreement or proposal with respect to the subject matter hereof. This Agreement or any part hereof may be changed or waived only by an instrument in

writing signed by the party against which enforcement of such change or waiver is sought.

ARTICLE 13. GOVERNING LAW. This Agreement shall be construed in accordance with the laws of the State of Delaware and the applicable provisions of the 1940 Act. To the extent that the applicable laws of the State of Delaware, or any of the provisions herein, conflict with the applicable provisions of the 1940 Act, the latter shall control.

ARTICLE 14. MULTIPLE ORIGINALS. This Agreement may be executed in two or more counterparts, each of which when so executed shall be deemed to be an original, but such counterparts shall together constitute but one and the same instrument.

ARTICLE 15. SEVERABILITY. If any part, term or provision of this Agreement is held to be illegal, in conflict with any law or otherwise invalid, the remaining portion or portions shall be considered severable and not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Agreement did not contain the particular part, term or provision held to be illegal or invalid.

IN WITNESS WHEREOF, the Trust and Distributor have each duly executed this Agreement, as of the day and year above written.

RYDEX DYNAMIC FUNDS

RYDEX DISTRIBUTORS, INC.

By: /S/ CARL G. VERBONCOEUR

Name: CARL G. VERBONCOEUR
Title: PRESIDENT

By: /S/ CARL G. VERBONCOEUR

Name: CARL G. VERBONCOEUR
Title: PRESIDENT

CUSTODY AGREEMENT

Agreement made as of the 18th day of January, 2000, between Rydex Dynamic Funds, (the "Trust"), a business trust organized under the laws of Delaware and having its office at 6116 Executive Boulevard, Suite 400, Rockville, Maryland, 20852 acting for and on behalf of all mutual fund portfolios as are currently authorized and issued by the Trust or may be authorized and issued by the Trust subsequent to the date of this Agreement (the "Funds"), which are operated and maintained by the Trust for the benefit of the holders of shares of the Funds, and Firststar Bank, N.A. (the "Custodian"), a national banking association having its principal office and place of business at Firststar Bank Center, 425 Walnut Street, Cincinnati, Ohio 45202, which Agreement provides for the furnishing of custodian services to the Funds.

WITNESSETH:

that for and in consideration of the mutual promises hereinafter set forth the Trust, on behalf of the Funds, and the Custodian agree as follows:

ARTICLE I DEFINITIONS

Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

1. "Authorized Person" shall be deemed to include the controller, Assistant Controller, Senior Portfolio Accountant, and Portfolio Accountant, or any other person, whether or not any such person is an officer or employee of the trust, duly authorized by the Board of Trustees of the Trust to give Oral Instructions on behalf of the funds and listed in the Certificate annexed hereto as Appendix A or such other Certificate as may be received by the Custodian from time to time, subject in each case to any limitations on the authority of such person as set forth in appendix A or any such Certificate.

2. "Book-Entry System" shall mean the Federal Reserve/Treasury book-entry system for United States and federal agency securities, its successor or successors and its nominee or nominees, provided the Custodian has received a certified copy of a resolution of Board of Trustees of the Trust specifically approving deposits in the Book-Entry System.

3. "Certificate" shall mean any notice, instruction, or other instrument in writing, authorized or required by this Agreement to be given to the Custodian which is signed on behalf of the funds by an Officer of the Trust and is actually received by the Custodian.

4. "Depository" shall mean The Depository Trust Company ("DTC"), a clearing agency registered with the Securities and Exchange Commission, its successor or successors and its nominee or nominees. The term "Depository" shall further mean and include any other person or clearing agency authorized to act as a depository under the Investment Company Act of 1940, its successor or successors and its nominee or nominees, provided that the Custodian has received a certified copy of a resolution of the board of /Trustees of the Trust

specifically approving such other person or clearing agency as a depository.

5. "Dividend and Transfer Agent" shall mean the dividend and transfer agent active, from time to time, in such capacity pursuant to a written agreement with the Fund, changes in which the Trust shall immediately report to the Custodian writing.

6. "Money Market Security" shall be deemed to include, without limitation, debt obligations issued or guaranteed as to principal and/or interest by the government of the United States or agencies or instrumentalities thereof, commercial paper, obligations (including certificates of deposit, bankers' acceptances, repurchase and reverse repurchase agreements with respect to the same) and bank time deposits of domestic banks that are members of Federal Deposit Insurance Trust, and short-term corporate obligations where the purchase and sale of such securities normally require settlement in federal funds or their equivalent on the same day or such purchase or sale.

7. "Officers" shall be deemed to include the controller, Assistant controller, Senior Portfolio Accountant, and Portfolio Accountant of the Trust listed in the Certificate annexed hereto as Appendix A or such other Certificate as may be received by the Custodian from time to time.

8. "Oral Instructions" shall mean oral instructions actually received by the Custodian from an Authorized Person (or from a person which the Custodian reasonably believes in good faith to be an Authorized Person) and confirmed by Written Instructions from Authorized Persons in such manner so that such Written Instructions are received by the Custodian on the next business day.

9. "Prospectus" or "Prospectuses" shall mean the Fund's currently effective prospectuses and statements of additional information, as filed with and declared effective by the Securities and Exchange Commission.

10. "Security or Securities" shall mean Money Market Securities, common or preferred stocks, options, futures, gold, silver, bonds, debentures, corporate debt securities, notes, mortgages or other obligations, and any certificates, receipts, warrants or other instruments representing rights to receive, purchase or subscribe for the same, or evidencing or representing any other rights or interest therein, or any property assets.

11. "Written Instructions" shall mean communication actually received by the custodian from one Authorized Person or from one person which the Custodian reasonably believes in good faith to be an Authorized Person in writing, telex or any other data transmission

system whereby the receiver of such communication is able to verify by codes or otherwise with a reasonable degree of certainty the authenticity of the senders of such communication.

ARTICLE II APPOINTMENT OF CUSTODIAN

1. The Trust, acting for and on behalf of the funds, hereby constitutes and appoints the Custodian as custodian of all the Securities and monies at any time owned by the Funds during the period this Agreement ("Fund Assets").

2. The Custodian hereby accepts appointment as such Custodian and agrees to perform the duties thereof as hereinafter set forth.

ARTICLE III
DOCUMENTS TO BE FURNISHED BY THE TRUST

The Trust hereby agrees to furnish to the Custodian the following documents:

1. A copy of its Declaration of Trust (the "Declaration of Trust") certified by its Secretary.
2. A copy of its By-Laws certified by its Secretary.
3. A copy of the resolution of its Board of Trustees appointing the Custodian certified by its Secretary.
4. A copy of the most recent Prospectuses of the Trust.
5. A Certificate of the President and Secretary setting forth the names and signatures of the present Officers of the Trust.

ARTICLE IV
CUSTODY OF CASH AND SECURITIES

1. The Trust will deliver or cause to be delivered to the Custodian all Funds Assets, including cash received for the issuance of its shares, at any time during the period of this Agreement. The Custodian will not be responsible for such fund Assets until actually received by it. Upon such receipt, the Custodian shall hold in safekeeping and physically segregate at all times from the property of any other persons, firms or corporations all Fund Assets received by it from or for the account of the Funds. Any credits from third parties that are made to the Funds' account by the Custodian may be reversed if the monies for them is not finally collected within 90 days from the day the credits are made. The Custodian is hereby authorized by the Trust, acting on behalf of the Funds, to actually deposit any fund Assets in the Book-Entry System or in a Depository, provided, however, that the custodian shall always be accountable to the Trust for the Fund Assets so deposited. Funds Assets deposited in the Book-Entry System or the Depository will be represented in accounts which include only assets held by the custodian for customers, including but not limited to accounts in which the Custodian acts in a fiduciary or representative capacity.

2. The Custodian shall credit to a separate account or accounts in the name of each respective Fund all monies received by it for the account of such Fund, and shall disburse the same only:

- (a) In payment for Securities purchases for the account of such Fund, as provided in Article V;
- (b) In payment of dividends or distributions, as provided in Article VI hereof;
- (c) In payment of original issue or other taxes, as provided in Article

VII hereof;

- (d) In payment for shares of such Fund redeemed by it, as provided in Article VII hereof;
- (e) Pursuant to Certificates (i) directing payment and setting forth the name and address of the person to whom the payment is to be made, the amount of such payment and the purpose for which payment is to be made (the Custodian not being required to question such direction) or (ii) if reserve requirements are established for the Fund by law or by valid regulation, directing the custodian to deposit a specified amount of collected funds in the form of U.S. dollars at a specified Federal Reserve bank and stating the purpose of such deposit; or
- (f) In reimbursement of the expenses and liabilities of the Custodian, as provided in paragraph 10 of Article IV hereof.

3. Promptly after the close of business on each day the funds are open and valuing their portfolios, the Custodian shall furnish the Trust with a detailed statement of monies held for the Fund under this Agreement and with confirmations and a summary of all transfers to or from the account of the Funds during said day. Where Securities are transferred to the account of the Fund without physical delivery, the Custodian shall also identify as belonging to the Funds a quantity of Securities in a fungible bulk of Securities registered in the name of the Custodian (or its nominee) or shown on the Custodian's account on the books of the Book-Entry system or the Depository. At least monthly and from time to time, the Custodian shall furnish the Trust with a detailed statement of the Securities held for the Funds under this Agreement.

4. All securities held for the Funds, which are issued or issuable only in bearer form, except such Securities as are held in the Book-Entry System, shall be held by the Custodian in that form; all other Securities held for the Funds may be registered nominee of the Custodian as the Custodian may from time to time determine, or in the name of the Book-Entry System or the Depository or their successor or successors, or their nominee or nominees. The Trust agrees to furnish to the Custodian appropriate instruments to enable the Custodian to hold or deliver in proper form for transfer, or to register in the name of its registered nominee or in the name of the Book-Entry System or the Depository, any Securities which it may hold for the account of the Funds and which may from time to time be registered in the name of the Funds. The Custodian shall hold all such Securities which are not held in the Book-Entry System by the Depository or a Sub-Custodian in a separate account or accounts in the name of the Funds segregated at all times from those of any other fund maintained and operated by the Trust and from those of any other person or persons.

5. Unless otherwise instructed to the contrary by a Certificate, the Custodian shall with respect to all Securities held for the Funds in accordance with this Agreement:

- (a) Collect all income due or payable to the Funds with respect to each fund's Assets;
- (b) Present for payment and collect the amount payable upon all

Securities which may mature or be called, redeemed, or retired, or otherwise become payable;

- (c) Surrender Securities in temporary form for definitive Securities;
- (d) Execute, as Custodian, any necessary declarations or certificates of ownership under the Federal income tax laws or the laws or regulations of any other taxing authority, including any foreign taxing authority, now or hereafter in effect; and
- (e) Hold directly, or through the Book-Entry System or the Depository with respect to Securities therein deposited, for the account of the Funds all rights and similar securities issued with respect to any Securities held by the Custodian hereunder.

6. Upon receipt of a Certificate and not otherwise, the Custodian directly or through the use of the Book-Entry System or the Depository shall:

- (a) Execute and deliver to such persons as may be designated in such Certificate proxies, consents, authorizations, and any other instruments whereby the authority or the fund as owner of any Securities may be exercised;
- (b) Deliver any Securities held for the funds in exchange for other Securities or cash issued or paid in connection with the liquidation, reorganization, refinancing, merger, consolidation or recapitalization of any corporation, or the exercise of any conversion privilege;
- (c) Deliver any Securities held for the account of the Funds to any protective committee, reorganization, refinancing, merger, consolidation, recapitalization or sale of assets of any corporation, and received and hold under the terms of this Agreement such certificates of deposit, interim receipts or other instruments or documents as may be issued to it to evidence such delivery; and
- (d) Make such transfers or exchanges of the assets of the Funds and take such other steps as shall be stated in said Certificate to be for the purpose of effectuating any duly authorized plan of liquidation, reorganization, merger, consolidation or recapitalization of the Funds.

7. The Custodian shall promptly deliver to the Trust all notices, proxy material and executed but unvoted proxies pertaining to shareholder meetings of Securities held by the Funds. The Custodian shall not vote or authorize the voting of any Securities or give any consent, waiver or approval with respect thereto unless so directed by a Certificate or Written Instruction.

8. The Custodian shall promptly deliver to the Trust all material received by the Custodian and pertaining to Securities held by the Funds with respect to

tender or exchange offers, calls for redemption or purchase, expiration of rights, name changes, stock splits and stock dividends, or any other activity involving rights in such Securities.

ARTICLE V
PURCHASE AND SALE OF INVESTMENTS OF THE FUND

1. Promptly after each purchase of Securities by the Funds, the Trust shall deliver to the Custodian (i) with respect to each purchase of Securities which are not Money Market Securities, a Certificate or Written Instructions, and (ii) with respect to each purchase of Money Market Securities, Written Instructions, a Certificate or Oral Instructions, specifying with respect to each such purchase: (a) the name of the issuer and the title of the Securities, (b) the principal amount purchased and accrued interest, if any, (c) the date of purchase and settlement, (d) the purchase price per unit, (e) the total amount payable upon such purchase and (f) the name of the person from whom or the broker through whom the purchase was made. The Custodian shall upon receipt of Securities purchased by or for the funds, pay out of the monies held for the account of the Funds the total amount payable to the person from whom or the broker through whom the purchase was made, provided that the same conforms to the total amount payable as set forth in such Certificate, Written Instructions or Oral Instructions.

2. Promptly after each sale of Securities by the Trust for the account of the Fund, the Trust shall deliver to the Custodian (i) with respect to each sale of Securities which are not Money Market Securities, a Certificate or Written Instructions, and (ii) with respect to each sale of Money Market Securities, Written Instructions, a Certificate or Oral Instructions, specifying with respect to each such sale: (a) the name of the issuer and the title of the Security, (b) the principal amount sold, and accrued interest, if any, (c) the date of sale, (d) the sale price per unit, (e) the total amount payable to the Funds upon such sale and (f) the name of the broker through whom or the person to whom the sale was made. The Custodian shall deliver the Securities upon receipt of the total amount payable to the Funds upon such sale, provided that the same conforms to the total amount payable as set forth in such Certificate, Written Instructions or Oral Instructions. Subject to the foregoing, the Custodian may accept payment in such form as shall be satisfactory to it, and may deliver Securities and arrange for payment in accordance with the customs prevailing among dealers in Securities.

3. Promptly after the time as of which the Trust, on behalf of a Fund, either -

- (a) writes an option on Securities or writes a covered put option in respect of a Security, or
- (b) notifies the Custodian that its obligations in respect of any put or call option, as described in the Trust's Prospectus, require that the Fund deposit Securities or additional Securities with the Custodian, specifying the type and value of Securities required to be so deposited, or
- (c) notifies the Custodian that its obligations in respect of any other Security, as described in each Fund's respective Prospectus, require that the Fund deposit Securities or additional Securities with the Custodian, specifying

the type and value of Securities required to be so deposited, the Custodian will cause to be segregated or identified as deposited, pursuant to the Fund's obligations as set forth in such Prospectus, Securities of such kinds and having such aggregate values as are required to meet the Fund's obligations in respect thereof. The Trust will provide to the Custodian, as of the end of each trading day, the market value of each Fund's option liability if any and the market value of its portfolio of common stocks.

4. On contractual settlement date, the account of each respective Fund will be charged for all purchases settling on that day, regardless of whether or not delivery is made. On contractual settlement date, sale proceeds will likewise be credited to the account of such fund irrespective of delivery.

In the case of "sale fails", the Custodian may request the assistance of the Funds in making delivery of the failed Security.

ARTICLE VI PAYMENT OF DIVIDENDS OR DISTRIBUTIONS

1. The Trust shall furnish to the Custodian a copy of the resolution of the Board of Trustees, certified by the Secretary, either (i) setting forth the date of the declaration of any dividend or distribution in respect of shares of the Funds, the date of payment thereof, the record date as of which Funds shareholders entitled to payment shall be determined, the amount payable per share to Funds shareholders of record as of that date and the total amount to be paid by the Dividend and Transfer Agent of the Funds on the payment date, or (ii) authorizing the declaration of dividends and distributions in respect of shares of the Funds on a daily basis and authorizing the Custodian to rely on Written Instructions or a Certificate setting forth the date of the declaration of any such dividend or distribution, the date of payment thereof, the record date as of which Funds shareholders entitled to payment shall be determined, the amount payable per share to Funds shareholders of record as of that date and the total amount to be paid by the Dividend and Transfer Agent on the payment date.

2. Upon the payment date specified in such resolution, Written Instructions or Certificate, as the case may be, the Custodian shall arrange for such payments to be made by the Dividend and Transfer Agent out of monies held for the account of the Funds.

ARTICLE VII SALE AND REDEMPTION OF SHARES OF THE FUND

1. The Custodian shall receive and credit to the account of each Fund such payments for shares of such Fund issued or sold from time to time as are received from the distributor for the Fund's shares, from the Dividend and Transfer Agent of the Fund, or from the Trust.

2. Upon receipt of Written Instructions, the Custodian shall arrange for payment of redemption proceeds to be made by the Dividend and Transfer Agent out of the monies held for the account of the respective Fund in the total amount specified in the Written Instructions.

3. Notwithstanding the above provisions regarding the redemption of any shares of the Fund, whenever shares of the Funds are redeemed pursuant to any check redemption privilege which may from time to time be offered by the Funds, the Custodian, unless otherwise subsequently instructed by Written Instructions shall, upon receipt of any Written Instructions setting forth that the redemption is in good form for redemption in accordance with the check redemption procedure, honor the check presented as part of such check redemption privilege out of the money held in the account of the Funds for such purposes.

ARTICLE VII INDEBTEDNESS

In connection with any borrowings, the Trust, on behalf of the Funds, will cause to be delivered to the Custodian by a bank or broker (including the Custodian, if the borrowing is from the Custodian), requiring Securities as collateral for such borrowings, a notice or undertaking in the form currently employed by any such bank or broker setting forth the amount which such bank or broker will loan to the Funds against delivery of a stated amount of collateral. The Trust shall promptly deliver to the Custodian a Certificate specifying with respect to each such borrowing: (a) the name of the bank or broker, (b) the amount and terms of the borrowing, which may be set forth by incorporating by reference an attached promissory note, duly endorsed by the Trust, acting on behalf of the Fund, or other loan agreement, (c) the date and time, if known, on which is to be entered into, (d) the date on which the loan becomes due and payable, (e) the total amount payable to the Fund on the borrowing date, (f) the market value of Securities collateralizing the loan, including the name of the issuer, the title and the number of shares or the principal amount of any particular Securities and (g) a statement that such loan is in conformance with the Investment Company of 1940 and the Fund's then current Prospectus. The Custodian shall deliver on the borrowing date specified in a Certificate the specified collateral and the executed promissory note, if any, against delivery by the lending bank or broker of the total amount of the loan payable provided that the same conforms to the total amount payable as set forth in the Certificate. The Custodian may, at the option of the lending bank or broker, keep such collateral in its possession, but such collateral shall be subject to all rights therein given the lending bank or broker, by virtue of any promissory note or loan agreement. The Custodian shall deliver in the manner directed by the Trust from time to time such Securities as additional collateral as may be specified in a Certificate to collateralized further any transaction described in this paragraph. The Trust shall cause all Securities released from collateral status to be returned directly to the Custodian and the Custodian shall receive from time to time such return of collateral as may be tendered to it. In the event that the Trust fails to specify in a Certificate or Written Instructions the name of the issuer, the title and number of shares or the principal amount of any particular Securities to be delivered as collateral by the Custodian, the Custodian shall not be under any obligation to deliver any Securities. The Custodian may require such reasonable conditions with respect to such collateral and its dealings with third-party lenders as it may deem appropriate.

ARTICLE IX

CONCERNING THE CUSTODIAN

1. Except as otherwise provided herein, the Custodian shall not be liable for any loss or damage, including counsel fees, resulting from its action or omission to act or otherwise, except for any such loss or damage arising out of its negligence or willful misconduct. The Trust, on behalf of the Funds and only from Fund Assets (or insurance purchased by the Trust with respect to its liabilities on behalf of the Fund hereunder), shall defend, indemnify and hold harmless the Custodian and its Trustees, Officers, Employees and Agents with respect to any loss, claim, liability or cost (including reasonable attorneys' fees) arising or alleged to arise from or relating to the Trust's duties with respect to the Funds hereunder or any other action or inaction of the Trust or its Trustees, Officers, Employees or Agents as to the Funds, except such as may arise from the negligent action, omission or willful misconduct of the Custodian, its Trustees, Officers, Employees or Agents. The Custodian shall defend, indemnify and hold harmless the Trust and its Trustees, Officers, Employees or Agents with respect to any loss, claim, liability or cost (including reasonable attorneys' fees) arising or alleged to arise from or relating to the Custodian's duties with respect to the Funds hereunder or any other action or inaction of the Custodian or its Trustees, Officers, Employees, Agents, nominees or Sub-Custodians as to the Funds, except such as may arise from the negligent action, omission or willful misconduct of the Trust, its Trustees, Officers, Employees or Agents. The Custodian may, with respect to questions of law apply for and obtain the advice and opinion of counsel to the Trust at the expense of the Funds, or of its own counsel at its own expense, and shall be fully protected with respect to anything done or omitted by it in good faith in conformity with the advice or opinion of counsel to the Trust, and shall be similarly protected with respect to anything done or omitted by it in good faith in conformity with advice or opinion of its counsel, unless counsel to the Funds shall, within a reasonable time after being notified of legal advice received by the Custodian, have a differing interpretation of such question of law. The Custodian shall be liable to the Trust for any proximate loss or damage resulting from the use of the Book-Entry System or any Depository arising by reason of any negligence, misfeasance or misconduct on the part of the Custodian or any of its employees, agents, nominees or Sub-Custodians but not for any special, incidental, consequential, or punitive damages; provided, however, that nothing contained herein shall preclude recovery by the Trust, on behalf of the Funds, of principal and of interest to the date of recovery on, Securities incorrectly omitted from the Fund's account or penalties imposed on the Trust, in connection with the Funds, for any failures to deliver Securities.

In any case in which one party hereto may be asked to indemnify the other or hold the other harmless, the party from whom indemnification is sought (the "Indemnification Party") shall be advised of all pertinent facts concerning the situation in question, and the party claiming a right to indemnification (the "Indemnified Party") will use reasonable care to identify and notify the Indemnifying Party promptly concerning any situation which presents or appears to present a claim for indemnification against the Indemnifying Party. The Indemnifying Party shall have the option to defend the Indemnified Party against any claim which may be the subject of the indemnification, and in the event the Indemnifying Party so elects, such defense shall be conducted by counsel chosen by the Indemnifying Party and satisfactory to the Indemnified

Party and the Indemnifying Party will so notify the Indemnified Party and

thereupon such Indemnifying Party shall take over the complete defense of the claim and the Indemnifying Party shall sustain no further legal or other expenses in such situation for which indemnification has been sought under this paragraph, except the expenses of any additional counsel retained by the Indemnified Party. In no case shall any party claiming the right to indemnification confess any claim or make any compromise in any case in which the other party has been asked to indemnify such party (unless such confession or compromise is made with such other party's prior written consent).

The obligations of the parties hereto under this paragraph shall survive the termination of this Agreement.

2. Without limiting the generality of the foregoing, the Custodian, acting in the capacity of Custodian hereunder, shall be under no obligation to inquire into, and shall not be liable for :

- (a) The validity of the issue of any Securities purchased by or for the account of the Funds, the legality of the purchase thereof, or the propriety of the amount paid therefor;
- (b) The legality of the sale of any Securities by or for the account of the Funds, or the propriety of the amount for which the same are sold;
- (c) The legality of the issue or sale of any shares of the Funds, or the sufficiency of the amount to be received therefor;
- (d) The legality of the redemption of any shares of the Funds, or the propriety of the amount to be paid, therefor;
- (e) The legality of the declaration or payment of any dividend by the Trust in respect of shares of the Funds;
- (f) The legality of any borrowing by the Trust, on behalf of the Funds, using Securities as collateral;
- (g) The sufficiency of any deposit made pursuant to a Certificate described in clause (ii) of paragraph 2(e) of Article IV hereof.

3. The Custodian shall not be liable for any money or collected funds in U.S. dollars deposited in a Federal Reserve Bank in accordance with a Certificate described in clause (ii) of paragraph 2(e) of Article IV hereof, nor be liable for or considered to be the Custodian of any money, whether or not represented by any check, draft, or other instrument for the payment of money, received by it on behalf of the Funds until the Custodian actually receives and collects such money directly or by the final crediting of the account representing the Fund's interest at the Book-Entry System or Depository.

4. The Custodian shall not be under any duty or obligation to take action to effect collection of any amount due to the Funds from the Dividend and Transfer Agent of the Funds nor take any action to effect payment or distribution by the Dividend and Transfer Agent of the Funds of any amount paid by the Custodian to the Dividend and Transfer Agent of the Funds in accordance with this Agreement.

5. Income due or payable to the Funds with respect to Funds Assets will be credited to the account of the Funds as follows:

- (a) Dividends will be credited on the first business day following payable date irrespective of collection.
- (b) Interest on fixed rate municipal bonds and debt securities issued or guaranteed as to principal and/or interest by the government of the United States or agencies or instrumentalities thereof (excluding securities issued by the Government National Mortgage Association) will be credited on payable date irrespective of collection.
- (c) Interest on fixed rate corporate debt securities will be credited on the first business day following payable date irrespective of collection.

6. Notwithstanding paragraph 5 of this Article IX, the Custodian shall not be under any duty or obligation to take action to effect collection of any amount, if the Securities upon which such amount is payable are in default, or if payment is refused after due demand or presentation, unless and until (i) it shall be directed to take such action by a Certificate and (ii) it shall be assured to its satisfaction of reimbursement of its costs and expenses in connection with any such action or, at the Custodian's option, prepayment.

7. The Custodian may appoint one or more financial or banking institutions, as Depository or Depositories or as Sub-Custodian or Sub-Custodians, including, but not limited to, the Fund, upon terms and conditions approved in a Certificate. Current Depository(s) and Sub-Custodian(s) are noted in Appendix B The Custodian shall not be relieved of any obligation or liability under this Agreement in connection with the appointment or activities of such Depositories or Sub-Custodians.

8. The Custodian shall not be under any duty or obligation to ascertain whether any Securities at any time delivered to or held by it for the account of the Funds are such as properly may be held by the Funds under the provisions of the Declarations of Trust and the Trust's By-Laws.

9. The Custodian shall treat all records and other information relating to the Trust, the Funds and the Funds' Assets as confidential and shall not disclose any such records or information to any other person unless (a) the Trust shall have consented thereto in writing or (b) such disclosure is compelled by law.

10. The Custodian shall be entitled to receive and the Trust agrees to pay to the Custodian, for the Fund's account from Fund Assets only, such compensation as shall be determined pursuant to Appendix C attached hereto, as shall be determined pursuant to amendments to such Appendix approved by the Custodian and the Trust, on behalf of the Funds. The Custodian shall be entitled to charge against any money held by it for the accounts of the Funds the amount of any loss, damage, liability or expense, including counsel fees for which it shall be entitled to reimbursement under the provisions of this Agreement as determined by agreement of the Custodian and the Trust or by the final order of any court or arbitrator having jurisdiction and as to which all rights of appeal shall have expired. The expenses which the

custodian may charge against the accounts of the Funds include, but are not limited to, the expenses of Sub-Custodians incurred in settling transactions involving the purchase and sale of Securities of the Fund.

11. The Custodian shall be entitled to rely upon any Certificate if such reliance is made in good faith. The Custodian shall be entitled to rely upon any Oral Instructions and any Written Instructions actually received by the Custodian pursuant to Article IV and V hereof. The Trust agrees to forward to the Custodian Written Instructions from Authorized Persons confirming Oral Instructions in such manner so that such Written Instructions are received by the Custodian, whether by hand delivery, telex or otherwise, on the first business day following the day on which such Oral Instructions are given to the Custodian. The Trust agrees that the fact that such confirming instructions are not received by the Custodian shall in no way affect the validity of the transactions or enforceability of the transactions hereby authorized by the Trust. The Trust agrees that the Custodian shall incur no liability to the Funds in acting upon Oral Instructions given to the Custodian hereunder concerning such transactions.

12. The Custodian will (a) set up and maintain proper books of account and complete records of all transactions in the amounts maintained by the Custodian hereunder in such a manner as will meet the obligations of the Funds under the Investment Company Act of 1940, with particular attention to Section 31 thereof and Rules 31 a-1 and 31 a-2 thereunder, and (b) preserve for the periods prescribed by applicable Federal statute or regulation all records required to be so preserved. The books and records of the Custodian shall be open to inspection and audit at reasonable times and with prior notice by Officers and auditors employed by the Trust.

13. The Custodian and its Sub-Custodians shall promptly send to the Trust, for the account of the Funds, any report received on the systems of internal accounting control of the Book-Entry System or the Depository and with such reports on their own systems of internal accounting control as the Trust may reasonably request from time to time.

14. The Custodian performs only the services of a custodian and shall have no responsibility for the management, investment or reinvestment of the Securities from time to time owned by the Funds. The Custodian is not a selling agent for shares of the Funds and performance of its duties as a custodial agent shall not be deemed to be a recommendation to the Custodian's depositors or others of shares of the Funds as an investment.

ARTICLE X TERMINATION

1. Either of the parties hereto may terminate this Agreement for any reason by giving to the other party a notice in writing specifying the date of such termination, which shall be not less than ninety (90) days after the date of giving of such notice. If such notice is given by the Trust, on behalf of the Fund, it shall be accompanied by a copy of a resolution of the Board of Trustees of the Trust, certified by the Secretary or any Assistant Secretary, electing to terminate this Agreement and designating a successor custodian or custodians, each of which

shall be a bank or trust company having not less than \$2,000,000 aggregate capital, surplus and undivided profits, or any other entity satisfying the requirements of the 1940 Act. In the event such notice is given by the Custodian, the Trust shall, on or before the termination date, deliver to the Custodian a copy of a resolution of its Board of Trustees, certified by the Secretary, designating a successor custodian or custodians to act on behalf of the Funds. In the absence of such designation by the Trust, the Custodian may designate a successor custodian which shall be a bank or trust company having not less than \$2,000,000 aggregate capital, surplus, and undivided profits, or any other entity satisfying the requirements of the 1940 Act. Upon the date set forth in such notice this Agreement shall terminate, and the Custodian, provided that it has received a notice of acceptance by the successor custodian, shall deliver, on that date, directly to the successor custodian all Securities and monies then owned by the Funds and held by it as Custodian. Upon termination of this agreement, the Trust shall pay to the Custodian on behalf of the Funds such compensation as may be due as of the date as such termination. The Trust agrees on behalf of the Funds that the Custodian shall be reimbursed for its reasonable costs in connection with the termination of this Agreement.

2. If a successor custodian is not designated by the Trust, on behalf of the Funds, or by the Custodian in accordance with the preceding paragraph, or the designated successor cannot or will not serve, the Trust shall upon delivery by the Custodian to the Trust of all Securities (other than Securities held in the Book-Entry System which cannot be delivered to the Trust) and monies then owned by the Funds, other than monies deposited with a Federal Reserve Bank pursuant to a Certificate described in clause (ii) of paragraph 2(e) of Article IV, be deemed to be the custodian for the Funds, and the Custodian shall thereby be relieved of all duties and responsibilities pursuant to this Agreement, other than the duty with respect to Securities held in the Book-Entry System which cannot be delivered to the Trust to hold such Securities hereunder in accordance with this Agreement.

ARTICLE XI MISCELLANEOUS

1. Appendix A sets forth the names and the signatures of all Authorized Persons. The Trust agrees to furnish to the Custodian, on behalf of the Funds, a new Appendix A in form similar to the attached Appendix A, if any present Authorized Person ceases to be an Authorized Person or if any other additional Authorized Persons are elected or appointed. Until such new Appendix A shall be received, the Custodian shall be fully protected in acting under the provisions of this Agreement upon Oral Instructions or signatures of the present Authorized Persons as set forth in the last delivered Appendix A.

2. No recourse under any obligation of this Agreement or for any claim based thereon shall be had against any organizer, shareholder, Officer, Trustee, past, present or future as such, of the Trust or of any such predecessor or successor, whether by virtue of any constitution, statute or rule of law or equity, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Agreement and the obligations thereunder are enforceable solely against Fund Assets, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the organizers, shareholders, Officers,

Trustees of the Trust or of any predecessor or successor, or any of them as such, because of the obligations contained in this Agreement or implied therefrom and that any and all such liability is hereby expressly waived and released by the Custodian as a condition of, and as a consideration for, the execution of this Agreement.

3. The obligations set forth in this Agreement as having been made by the Trust have been made by the Trustees of the Trust, acting as such Trustees for and on behalf of the Funds, pursuant to the authority vested in them under the laws of the State of Delaware, the Declaration of Trust and the By-Laws of the Trust. This Agreement has been executed by Officers of the Trust as Officers, and not individually, and the obligations contained herein are not binding upon any of the Trustees, Officers, Agents or holders of shares, personally, but bind only the Trust and then only to the extent of Fund Assets.

4. Such provisions of the Prospectuses of the Funds and any other documents (including advertising material) specifically mention the Custodian (other than merely by name and address) shall be reviewed with the Custodian by the Trust.

5. Any notice or other instrument in writing, authorized or required by this Agreement to be given to the Custodian, shall be sufficiently given if addressed to the Custodian and mailed or delivered to it at its offices at Firststar Bank Center, 425 Walnut Street, M.L. 6118, Cincinnati, Ohio 45202, attention: Mutual Fund Custody Department, or at such other place as the Custodian may from time to time designate in writing.

6. Any notice or other instrument in writing, authorized or required by this Agreement to be given to the Trust shall be sufficiently given when delivered to the Trust or on the second business day following the time such notice is deposited in the U.S. mail postage prepaid and addressed to the Trust at its office at 6116 Executive Boulevard, Suite 400, Rockville, Maryland 20852 or at such other place as the Trust may from time to time designate in writing.

7. This Agreement with the exception of Appendices A & B may not be amended or modified in any manner except by a written agreement executed by both parties with the same formality as this Agreement, and authorized and approved by a resolution of the Board of Trustees of the Trust.

8. This Agreement shall extend to and shall be binding upon the parties hereto, and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by the Trust or by the Custodian, and not attempted assignment by the Trust or the Custodian shall be effective without the written consent of the other party hereto.

9. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be

executed by their respective Officers, thereunto duly authorized as of the day and first year first above written.

ATTEST:

RYDEX DYNAMIC FUNDS

/s/ SCOTT E. WHALEY

BY: /s/ CARL G. VERBONCOEUR

ATTEST:

FIRSTAR BANK, N.A.

/s/ DAVID P. WYEL

BY: /s/ LYNNETTE C. GIBSON

APPENDIX A

<TABLE>

<CAPTION>

AUTHORIZED PERSONS

SPECIMEN SIGNATURES

<S>

<C>

Assistant Controller - Fund Administration: Scott Whaley

/s/ Scott Whaley

Assistant Controller - Accounting Operations: Linda Cahill

/s/ Linda Cahill

Senior Portfolio Accountant: Chris Schipske

/s/ Chris Schipske

Portfolio Accountant: Connie Meenehan

/s/ Connie Meenehan

Director of Shareholder Services: Carol Bauroth

/s/ Carol Bauroth

Supervisor of Operations: Jill Hayes

/s/ Jill Hayes

Operations Specialist: Debbie Mathis

/s/ Debbie Mathis

Operations Specialist: Chuck Wagner

/s/ Chuck Wagner

Operations Specialist: Terrence Barnett

/s/ Terrence Barnett

</TABLE>

APPENDIX B

The following Depository(s) and Sub-Custodians are employed currently by Firststar Bank, N.A. for securities processing and control:

The Depository Trust Company (New York)
7 Hanover Square
New York, NY 10004

The Federal Reserve Bank
Cincinnati and Cleveland Branches

Bank of New York
New York, NY 10005

APPENDIX C

RYDEX DYNAMIC FUNDS
FIRSTSTAR BANK, N.A.
DOMESTIC CUSTODY FEE SCHEDULE

Firststar Bank, N.A., as Custodian, will receive monthly compensation for services according to the terms of the following Schedule:

I. PORTFOLIO TRANSACTION FEES:

(a) For each repurchase agreement transaction	\$ 7.00
(b) For each portfolio transaction processed through DTC or Federal Reserve	\$ 8.00
(c) For each portfolio transaction processed through Our New York custodian	\$ 25.00
(d) For each GNMA/Amortized Security Purchase	\$ 25.00
(e) For each GNMA Prin/Int Paydown, GNMA Sales	\$ 8.00
(f) For each option/future contract written, exercised or expired	\$ 25.00
(g) For each Cedel/Euroclear transaction	\$100.00
(h) For each disbursement (Fund expenses only)	\$ 5.00

A transaction is a purchase/sale of a security, free receipt/free delivery (excludes initial conversion), maturity, tender or exchange.

II. MONTHLY BASE FEE PER FUND

First 4 months	\$100.00
Second 4 months	\$200.00
Third 4 months	\$300.00
First Year Anniversary and thereafter:	\$400.00

III. OUT-OF-POCKET EXPENSES

Firststar Bank shall be reimbursed for all out-of-pocket expenses including, but not limited to postage, insurance, and long distance telephone charges.

IV. IRA DOCUMENTS

Per Shareholder/year to hold each IRA Document \$ 8.00

V. EARNINGS CREDITS

On a monthly basis any earnings credits generated from uninvested custody balances will be applied against any cash management service fees. Earnings credits are based on a cost of funds tiered earnings credit rate.

FIRSTAR BANK, N.A.
MANAGEMENT FEE SCHEDULE

BUSINESS CHECKING FEES	UNIT COST	MONTHLY COST
D.D.A. Account Maintenance		\$14.00
Deposits	.42	
Deposited Items	.109	
Checks Paid	.159	
Deposited Items Returned	6.00	
International Returned Items	10.00	
NSF Returned Check	25.00	
Stop Payments	22.00	
CASH MANAGEMENT FEES		
Balance Reporting - P.C. Access		50.00 1st Acct 35.00 each add
ACH Transaction	.105	
ACH Maintenance		40.00
ACH Additions, Deletions, Changes	6.00	
ACH Stop Payment	5.00	
ACH Debits	.12	
Issued Items	.015	
Deposited Items Returned	6.00	
International Items Returned	10.00	
NSF Returned Checks	25.00	
Stop Payments	22.00	
Data Transmission per account		110.00
Data Capture*	.10	
Invoicing for Service Charge		15.00
Wires Incoming		
Domestic:	10.00	
International:	10.00	
Wires Outgoing		
Domestic:		
Repetitive	12.00	
Non Repetitive	13.00	
International:		
Repetitive	35.00	
Non Repetitive	40.00	
PC - Initiated Wires		
Domestic:		
Repetitive	9.00	

Non Repetitive	9.00
International:	
Repetitive	25.00
Non Repetitive	25.00

UNCOLLECTED CHARGE

Firststar Bank assesses a penalty of prime rate plus 4% on any combined relationship with average uncollected balances for the month.

AMENDED AND RESTATED
SERVICE AGREEMENT

THIS SERVICE AGREEMENT (the "Agreement"), dated as of May 1, 2000, and amended and restated as of November 15, 2004, is entered into by and between Rydex Dynamic Funds, a Delaware business trust (the "Trust"), and RYDEX FUND SERVICES, INC., a Maryland corporation (the "Servicer").

W I T N E S S E T H:

WHEREAS, the Trust is an investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act");

WHEREAS, the Servicer is registered as a transfer agent under the Securities Exchange Act of 1934, as amended; and

WHEREAS, the Trust wishes to have the Servicer perform general administrative, shareholder, dividend disbursement, transfer agent, and registrar and other services for the Trust and to act in such capacity in the manner set forth in this Agreement, and the Servicer is willing to act in such capacity in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt, sufficiency, and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree and promise as follows:

1. SERVICES TO BE PROVIDED.

In consideration of the compensation to be paid by the Trust to the Servicer pursuant to Section 4 of this Agreement, the Servicer will:

- a. Manage, supervise, and conduct the affairs and business of the Trust and matters incidental thereto. In the performance of its duties, the Servicer will comply with the Trust's Prospectus and its Statement of Additional Information, as the same may be amended from time to time, all as delivered to the Servicer (collectively, the "Controlling Documents"). The Servicer will also use its best efforts to safeguard and promote the welfare of the Trust, and to comply with other policies which the Board of Trustees of the Trust (the "Board") may from

time to time specify. The Servicer will furnish or provide to the Trust general administrative services as the Trust may reasonably require in the conduct of its affairs and business, including, without limitation, the services described on Schedule I attached hereto.

- b. Provide the Trust with all required shareholder and dividend disbursement services, including, without limitation, those services described on Schedule II, attached hereto. The Servicer will maintain sufficient trained personnel and equipment and supplies to perform such services in conformity with the Controlling Documents and such other reasonable standards of performance as the Trust may from time to time specify, and otherwise in an accurate, timely, and efficient manner.
- c. Provide the Trust with all required stock transfer agent and registrar services, including, without limitation, those services described on Schedule III attached hereto. The Servicer will maintain sufficient trained personnel and equipment and supplies to perform such services in conformity with the Controlling Documents and such other reasonable standards of performance as the Trust may from time to time specify, and otherwise in an accurate, timely, and efficient manner.

2. OBLIGATIONS OF THE TRUST.

The Trust will have the following obligations under this Agreement:

- a. The Trust shall keep the Servicer continuously and fully informed as to the composition of the Trust's investment portfolio and the nature of all of the Trust's assets and liabilities, and shall cause the investment managers of the Trust's series to cooperate with the Servicer in all matters so as to enable the Servicer to perform the Servicer's functions under this Agreement.

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- b. The Trust shall furnish the Servicer with any materials or information which the Servicer may reasonably request to enable the Servicer to perform the Servicer's functions under this Agreement.
- c. The Trust shall turn over to the Servicer the accounts and records previously maintained by or for the Trust. The Servicer shall be entitled to rely exclusively on the completeness and correctness of the accounts and records turned over to the Servicer by the Trust; provided, that such reliance is made in good faith, and the Trust shall indemnify and hold the Servicer harmless of and from any and all expenses (including, without limitation, attorneys' and accountants' fees), damages, claims, suits, liabilities, actions, demands, and losses whatsoever arising out of or in connection with any error, omission, inaccuracy, or other deficiency of such accounts and records or in connection with the failure of the Trust to provide any portion of such accounts and records or to provide any information to the Servicer necessary or appropriate to perform

the Servicer's functions hereunder; and provided, further, that such accounts, records, and other information shall belong to the Trust and be considered confidential, and shall not be disclosed to other than Federal and state regulators without permission from the Trust.

3. PAYMENT OF FEES AND EXPENSES.

- a. The Servicer will pay all of the fees and expenses incurred by the Servicer in providing the Trust with the services and facilities described in this Agreement, except as otherwise provided herein.
- b. Notwithstanding any other provision of this Agreement, the Trust will pay, or reimburse the Servicer for the payment of, all fees and expenses incurred by the Servicer not directly related to the Servicer's providing the Trust with the services and facilities described in this Agreement, including, but not limited to,

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the following described fees and expenses of the Trust (hereinafter called "Direct Expenses") whether or not billed to the Trust, the Servicer, or any related entity:

- i. fees and expenses of custodian and depositories and banking services fees and costs;
- ii. fees and expenses of outside legal counsel and any legal counsel directly employed by the Trust;
- iii. fees and expenses of independent auditors and income tax preparation and expenses of obtaining quotations for the purpose of calculating the value of the Trust's assets;
- iv. all Federal, state, and local taxes (including, without limitation, stamp, excise, income, and franchise taxes);
- v. costs of stock certificates and other expenses of issuing and redeeming shares of the Trust ("Shares");
- vi. costs incidental to or associated with shareholder meetings;
- vii. fees and expenses of registering or qualifying shares for sale under Federal and state securities laws;
- viii. costs (including postage) of printing and mailing prospectuses, confirmations, proxy statements, and other reports and notices to shareholders and to governmental agencies;

- ix. premiums on all insurance and bonds and other expenses of fidelity and liability insurance and bonding covering the Trust;

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- x. fees and expenses of the disinterested Trustees and expenses incidental to the meetings of the Board; and
- xi. dues and expenses associated with membership in the Investment Company Institute and the Mutual Fund Education Alliance; costs (including postage) of printing and mailing prospectuses, confirmations, proxy statements, annual, semi-annual and quarterly reports, and other reports and notices to shareholders and to governmental agencies;

4. COMPENSATION.

As consideration for the services provided hereunder, the Trust will pay the Servicer a fee on the last day of each month in which this Agreement is in effect, at the following annual rates based on the average daily net assets (the "Assets") of each of the Trust 's series (a "Fund") for such month:

TITAN 500 FUND

0.25% of Assets

TEMPEST 500 FUND

0.25% of Assets

VENTURE 100 FUND

0.25% of Assets

VELOCITY 100 FUND

0.25% of Assets

LONG DYNAMIC DOW 30 FUND

0.25% of Assets

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INVERSE DYNAMIC DOW 30 FUND

In the event that this Agreement commences on a date other than on the beginning of any calendar month, or if this Agreement terminates on a date other than the end of any calendar month, the fees payable hereunder by the Trust shall be proportionately reduced according to the number of days during such month that services were not rendered hereunder by the Servicer.

5. REPORTS TO THE BOARD OF TRUSTEES.

The Servicer will consult with the Board at such times as the Board reasonably requests with respect to the services provided hereunder, and the Servicer will cause its officers to attend such meetings with the Board, and to furnish such oral or written reports to the Board, as the Board may reasonably request. In addition, the Servicer agrees to provide to the Board such reports and other information as the Board may reasonably request in order to enable the Board to perform a review of the Servicer's performance under this Agreement.

6. TERM OF AGREEMENT.

This Agreement is effective as on the date hereof. This Agreement will remain in full force and effect until AUGUST __, 200__, unless terminated earlier in accordance with its terms, and thereafter from year to year; PROVIDED, that: (a) such continuance is approved by (i) either a vote of the majority of the Trustees or a vote of a "majority of the outstanding voting securities" (as defined in the 1940 Act) of the Trust and (ii) a majority of the Trustees who are not "interested persons" (as defined at Section 2(a)(19) of the 1940 Act); and (b) the following findings are made by a majority of the Trustees who are not "interested persons" (as defined at Section 2(a)(19) of the 1940 Act): (i) that this Agreement is in the best interests of the Trust; (ii) that the services to be performed pursuant to this Agreement are services required for the operation of the Trust; (iii) that the Servicer can provide services the nature and quality of which are at least equal to those provided by others offering the same or similar services; and (iv) that the fees for such services are fair and reasonable in light of the usual and customary charges made by others for services of the same nature and quality.

7. TERMINATION.

This Agreement may be terminated, without the payment of any penalty, by either party hereto upon at least sixty (60) days' written notice to the other party. Any termination by the Trust will be pursuant to a vote of a majority of the Trustees.

8. STANDARD OF CARE.

- a. Except as provided by law, the Servicer will be under no liability or obligation to anyone with respect to any failure on the part of the Board or any investment manager to perform any of their obligations under the Controlling Documents, or for any error or omission whatsoever on the part of the Board or any investment manager.
- b. The Servicer will not be liable for any error of judgment or mistake of law or for any loss caused by the Trust in connection with the matters to which this Agreement relates; provided, however, that the Servicer has acted in the premises with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of any enterprise of a like character and with like aims, and in accordance with such other requirements of law; provided, further, however, that nothing in this Agreement will protect the Servicer against any liability to the Trust to which the Servicer would otherwise be subject by reason of willful misfeasance, bad faith, or gross negligence in the performance of the Servicer's duties hereunder or by reason of the Servicer's reckless disregard of the Servicer's obligations and duties hereunder.

9. OTHER ACTIVITIES OF THE SERVICER.

Subject to the provisions of Section 5 of this Agreement, with respect to advance notice of the Servicer's taking on of new clients or ventures of material significance, nothing herein contained will limit or restrict the right of the Servicer to engage in any other business or to render services of any kind to any other corporation, firm, individual, or association.

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10. SCOPE OF AUTHORITY.

- a. Shares purchased by the Servicer on behalf of shareholders of the Trust ("Shareholders") will be registered with the Servicer, as the Trust's transfer agent, in the Servicer's name or in the name of the Servicer's nominee. The Shareholder will be the beneficial owner of Shares purchased and held by the Servicer in accordance with the Shareholder's instructions and the Shareholder may exercise all rights of a Shareholder of the Trust.
- b. Neither the Servicer nor any of the Servicer's officers, employees, agents, or assigns are authorized to make any representations concerning the Trust or the Shares, except for those representations contained in the Trust's then current prospectus for such Shares, copies of which will be supplied by the Trust to the Servicer, or in such supplemental literature or advertising as may be authorized by

the Trust in writing.

11. AUTHORITY TO ENGAGE SUB-SERVICERS.

In providing the services and assuming the obligations set forth herein, the Servicer may, at the sole expense of the Servicer, employ one or more sub-servicers, or may enter into such service agreements as the Servicer deems appropriate in connection with the performance of the Servicer's duties and obligations hereunder. Reference herein to the duties and responsibilities of the Servicer shall include the duties and responsibilities of any sub-servicers employed by the Servicer to the extent that the Servicer shall delegate such duties and responsibilities to such sub-servicer.

12. INDEMNIFICATION.

- a. The Trust shall indemnify the Servicer and hold the Servicer harmless from and against all actions, suits, and claims, whether groundless or otherwise, arising directly or indirectly out of or in connection with the Servicer's

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performance under this Agreement and from and against any and all losses, damages, costs, charges, attorneys' and accountant's fees, payments, expenses, and liabilities incurred by the Servicer in connection with any such action, suit, or claim unless caused by the Servicer's breach of this Agreement, negligence, or willful misconduct. The Servicer shall not be under any obligation to prosecute or to defend any action, suit, or claim arising out of or in connection with the Servicer's performance under this Agreement, which, in the opinion of the Servicer's counsel, may involve the Servicer in expense or liability, and the Trust shall, so often as reasonably requested, furnish the Servicer with satisfactory indemnity against such expense or liability, and upon request of the Servicer, the Trust shall assume the entire defense of any action, suit, or claim subject to the foregoing indemnity; PROVIDED, HOWEVER, that the Servicer shall give the Trust immediate notice of any such action, suit, or claim brought against the Servicer.

- b. The Servicer shall indemnify the Trust and hold the Trust harmless from all claims and liabilities (including reasonable attorneys' and accountants' expenses) incurred or assessed against the Trust arising from the Servicer's negligence, wilful miscounduct, or breach of this Agreement.

13. NOTICES.

- a. Communications to the Servicer from the Trust or the Board shall be addressed to:

Rydex Dynamic Funds or Rydex Fund Services, Inc.
9601 Blackwell Road
Suite 500
Rockville, MD 20850
Attention: President

- b. Communications from the Servicer to the Trust shall be addressed to:

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Rydex Fund Services, Inc.
9601 Blackwell Road
Suite 500
Rockville, MD 20850
Attention: President

- c. In the event of a change of address, communications will be addressed to such new address as designated in a written notice from the Trust or the Servicer, as the case may be. All communications addressed in the above manner and by registered mail or delivered by hand will be sufficient under this Agreement.

14. LAW GOVERNING.

This Agreement is governed by the laws of the State of Maryland (without reference to such state's conflict of law rules).

15. COUNTERPARTS.

This Agreement may be executed in counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

16. BINDING EFFECT AND ASSIGNMENT.

This Agreement shall be binding upon the parties hereto and their respective successors and assigns; PROVIDED, HOWEVER, that this Agreement shall not be assignable by the Trust without the written consent of the Servicer, or by the Servicer without the written consent of the Trust, in each case authorized or approved by a resolution of the Trust's Trustees.

17. AMENDMENT, MODIFICATION, AND WAIVER.

No term or provision of this Agreement may be amended, modified, or waived without the affirmative vote or action by written consent of the Servicer and the Trust effected in accordance with the 1940 Act and Section 6 of this Agreement.

IN WITNESS WHEREOF, the Servicer and the Trust have executed this Agreement as of the date first written above.

RYDEX DYNAMIC FUNDS

By: /S/ CARL G. VERBONCOEUR

Name: Carl G. Verboncoeur
Title: President

RYDEX FUND SERVICES, INC.

By: /S/ CARL G. VERBONCOEUR

Name: Carl G. Verboncoeur
Title: President

SCHEDULE I

GENERAL ADMINISTRATIVE SERVICES

The Servicer agrees to provide the Trust with all required general administrative services, including, without limitation, the following:

1. Office space, equipment, and personnel.
2. Clerical and general back office services.
3. Bookkeeping, internal accounting, secretarial, and other general administrative services.
4. Preparation of all annual, semi-annual and quarterly reports, prospectuses, statements of additional information, proxy statements, and all other materials required to be filed or furnished by the Trust under Federal and state securities laws.
5. Process payments of all fees and expenses of the Trust.
6. Perform appropriate IRS and SEC testing for the Trust.
7. Disseminate NAV and other relevant Fund information to external parties.

8. Calculate Fund distributions to ensure compliance with IRS rules.

SCHEDULE II

SHAREHOLDER AND DIVIDEND, DISBURSEMENT SERVICES

The Servicer agrees to provide the Trust and the Shareholders with all required shareholder and dividend disbursement services ("Services"), including, without limitation, the following:

1. The Servicer shall provide the following services to the Shareholders of the Trust:
 - a. Aggregating and processing purchases and redemption requests for Trust Shares from Shareholders.
 - b. Processing dividend payments from the Trust on behalf of Shareholders.
 - c. Providing information periodically to Shareholders showing their positions in Shares.
 - d. Arranging for bank wires.
 - e. Responding to Shareholder inquiries relating to the services performed by the Servicer.
 - f. Providing subaccounting with respect to Shares beneficially owned by Shareholders.
 - g. As required by law, forwarding shareholder communications from the Trust (such as proxies, shareholder reports, annual and semi-annual financial statements, and dividend, disbursement, and tax notices) to Shareholders.
 - h. Providing such other similar services as the Trust may reasonably request to the extent the Servicer is permitted to do so under applicable statutes, rules, or regulations.
 - i. Provide to Shareholders a schedule of any fees that the Servicer may charge directly to the Shareholders for such Services.
2. The Servicer shall also provide the following additional Services:
 - a. Maintain all records required by law relating to transactions in Shares and, upon request by the Trust, promptly make such of these

records available to the Trust as the Trust may reasonably request in connection with the operations of the Trust.

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- b. Promptly notify the Trust if the Servicer experiences any difficulty in maintaining the records described in this Schedule II to the Agreement in an accurate and complete manner.
- c. Furnish the Trust or any designee of the Trust ("Designee") with such information relating to the Servicer's performance under this Agreement as the Trust or the Designee may reasonably request (including, without limitation, periodic certifications confirming the provision to Shareholders of the Services described herein), and shall otherwise cooperate with the Trust and the Trust's Designees (including, without limitation, any auditors designated by the Trust), in connection with the preparation of reports to the Board of Trustees concerning this Agreement and the monies paid or payable by the Trust pursuant hereto, as well as any other reports or filings that may be required by law.

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SCHEDULE III

TRANSFER AGENT AND REGISTRAR SERVICES

The Servicer agrees to provide the Trust with all required transfer agent and registrar services, including, without limitation, the following:

1. Maintaining all shareholder accounts, including processing of new accounts.
2. Posting address changes and other file maintenance for shareholder accounts.
3. Posting all transactions to the shareholder file, including:
 - Direct purchases
 - Wire order purchases
 - Direct redemptions
 - Wire order redemptions
 - Draft redemptions
 - Direct exchanges
 - Transfers
4. Quality control reviewing of transactions before the mailing of confirmations, checks, and/or certificates to shareholders.

5. Issuing all checks and shipping and replacing lost checks.
6. Mailing confirmations, checks, and/or certificates resulting from transaction requests of shareholders.
7. Performing other mailings, including:
 - Semi-annual and annual reports
 - I.R.S. Form 1099/year end shareholder reporting
 - Systematic withdrawal plan payments
 - Daily confirmations
8. Answering all service related telephone inquiries from shareholders, including:
 - General and policy inquiries (research and resolve problems)
 - Trust yield inquiries
 - Taking shareholder processing requests and account maintenance changes by telephone
 - Submitting pending requests to correspondence
 - Developing reports on telephone activity

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9. Implementing the Trust's Anti Money Laundering Program and monitoring compliance with the Anti Money Laundering and Foreign Asset Compliance Policy and Procedures.

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Morgan, Lewis & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

April 29, 2005

Rydex Dynamic Funds
9601 Blackwell Road
Suite 500
Rockville, MD 20850

Re: OPINION OF COUNSEL REGARDING POST-EFFECTIVE AMENDMENT NO. 10 TO
THE REGISTRATION STATEMENT FILED ON FORM N-1A UNDER THE SECURITIES ACT
OF 1933

Ladies and Gentlemen:

We have acted as counsel to Rydex Dynamic Funds, a Delaware statutory trust (the "Trust"), in connection with the above-referenced Registration Statement on Form N-1A (the "Registration Statement") which relates to the Trust's shares of beneficial interest, without par value (collectively, the "Shares"). This opinion is being delivered to you in connection with the Trust's filing of Post-Effective Amendment No. 10 to the Registration Statement (the "Amendment") to be filed with the U.S. Securities and Exchange Commission pursuant to Rule 485(b) under the Securities Act of 1933, as amended, (the "1933 Act"). With your permission, all assumptions and statements of reliance herein have been made without any independent investigation or verification on our part except to the extent otherwise expressly stated, and we express no opinion with respect to the subject matter or accuracy of such assumptions or items relied upon.

In connection with this opinion, we have reviewed, among other things, executed copies of the following documents:

- (a) a certificate of the State of Delaware as to the existence and good standing of the Trust;
- (b) Copies of the Trust's Agreement and Declaration of Trust and all amendments and supplements thereto (the "Declaration of Trust");
- (c) a certificate executed by Joanna M. Haigney, Secretary of the Trust, certifying as to, and attaching copies of, the Trust's Declaration of Trust and By-Laws (the "By-Laws"), and certain resolutions adopted by the Board of Trustees of the Trust authorizing the issuance of the Shares; and

(d) a printer's proof of the Amendment.

In our capacity as counsel to the Trust, we have examined the originals, or certified, conformed or reproduced copies, of all records, agreements, instruments and documents as we have deemed relevant or necessary as the basis for the opinion hereinafter expressed. In all such examinations, we have assumed the legal capacity of all natural persons executing documents, the genuineness of all signatures, the authenticity of all original or certified copies, and the conformity to original or certified copies of all copies submitted to us as conformed or reproduced copies. As to various questions of fact relevant to such opinion, we have relied upon, and assume the accuracy of, certificates and oral or written statements of public officials and officers or representatives of the Trust. We have assumed that the Amendment, as filed with the U.S. Securities and Exchange Commission, will be in substantially the form of the printer's proof referred to in paragraph (d) above.

Based upon, and subject to, the limitations set forth herein, we are of the opinion that the Shares, when issued and sold in accordance with the Declaration of Trust and By-Laws, and for the consideration described in the Registration Statement, will be legally issued, fully paid and non-assessable under the laws of the State of Delaware.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not concede that we are in the category of persons whose consent is required under Section 7 of the 1933 Act.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form N-1A of our report dated February 25, 2005, relating to the financial statements and financial highlights which appear in the December 31, 2004 Annual Reports to Shareholders of Rydex Dynamic Funds, comprised of Titan 500 Master Portfolio, Tempest 500 Master Portfolio, Velocity 100 Master Portfolio, Venture 100 Master Portfolio, Long Dynamic Dow 30 Master Portfolio, Inverse Dynamic Dow 30 Master Portfolio, Titan 500 Fund, Tempest 500 Fund, Velocity 100 Fund and Venture 100 Fund, Long Dynamic Dow 30 Fund, Inverse Dynamic Dow 30 Fund, which is also incorporated by reference into the Registration Statement. We also consent to the references to us under the headings "Financial Highlights," "Independent Registered Public Accounting Firm and Custodian" and "Financial Statements" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
April 29, 2005

AMENDMENT,
DATED NOVEMBER 18, 2002,
TO
DISTRIBUTION PLAN
RYDEX DYNAMIC FUNDS,
DATED FEBRUARY 25, 2000,
AS AMENDED

EXHIBIT A

Dated February 25, 2000
As Amended November 18, 2002

Rydex Dynamic Funds
Distribution Fees

RYDEX DYNAMIC FUNDS

Titan 500 Fund
Tempest 500 Fund
Venture 100 Fund
Velocity 100 Fund

DISTRIBUTION FEES

H Class Sharestwenty-five basis points (.25%)
A CLASS SHARESTWENTY-FIVE BASIS POINTS (.25%)

CALCULATION OF FEES

Distribution fees are based on a percentage of the Funds' average daily net assets attributable to Shares of the Funds.

ADDITIONS AND [DELETIONS] ARE NOTED IN BOLD.

AMENDMENT,
DATED NOVEMBER 14, 2000
TO
RULE 18F-3 MULTIPLE CLASS PLAN
RYDEX DYNAMIC FUNDS,
DATED AUGUST 28, 2000,
AS AMENDED

Amendment to

SCHEDULE A

RYDEX DYNAMIC FUNDS
Rule 18f-3
Multiple Class Plan

FUND

Titan 500

Tempest 500

Venture 100

Velocity 100

TITAN 500 FEEDER

TEMPEST 500 FEEDER

VENTURE 100 FEEDER

VELOCITY 100 FEEDER

Master Titan 500

Master Tempest 500

Master Venture 100

Master Velocity 100

ADDITIONS AND [DELETIONS] ARE NOTED IN BOLD.

AMENDMENT,
DATED MARCH 2, 2001,
TO
RYDEX DYNAMIC FUNDS
RULE 18F-3 MULTIPLE CLASS PLAN
DATED AUGUST 28, 2000

Exhibit B

RYDEX SERIES FUNDS
CERTIFICATE OF CLASS DESIGNATION

H CLASS SHARES

1. CLASS-SPECIFIC DISTRIBUTION ARRANGEMENTS; OTHER EXPENSES.

H Class Shares are subject to asset-based fees under a Distribution and Shareholder Services Plan (the "Plan"). Pursuant to Rule 12b-1, The Trust, on behalf of the applicable Fund, will make monthly payments to the Distributor for providing distribution services under the Plan approved by the Board of Trustees, at an annual rate of up to .25% of each Fund's average daily net assets attributable to the H Class Shares. The Distributor will use this fee to compensate service providers for providing distribution-related services, on-going account maintenance and other services to shareholders (including, when applicable, any underlying beneficial owners) including, but not limited to, answering routine customer inquiries concerning their investments.

2. ELIGIBILITY OF PURCHASERS

H Class Shares require a minimum initial investment of \$25,000 if purchased through accounts that are not managed by a registered investment advisor ("Self-Directed Accounts") or \$15,000 if purchased through accounts over which a registered investment advisor has discretionary authority. H Class Shares are sold principally to professional money managers and to investors who take part in certain strategic and tactical asset allocation investment programs.

3. EXCHANGE PRIVILEGES

H Class Shares of each Fund may be exchanged for H Class Shares of each other Fund of the Trust in accordance with the procedures disclosed in the Trust's Prospectus, and subject to any applicable limitations resulting from the closing of Funds to new investors.

4. VOTING RIGHTS

Each H Class Shareholder will have one vote for each full H Class Share held and a fractional vote for each fractional H Class Share held. H Class

Shareholders will have exclusive voting rights regarding any matter submitted to shareholders that relates solely to H Class Shares (such as a distribution plan relating to H Class Shares), and will have separate voting rights on any other matter submitted to shareholders in which the interests of the H Class Shareholders differ from the interests of holders of any other class.

5. CONVERSION RIGHTS

H Class Shares do not have a conversion feature.

AMENDMENT,
DATED NOVEMBER 18, 2002,
TO
RULE 18F-3 MULTIPLE CLASS PLAN
RYDEX DYNAMIC FUNDS,
DATED AUGUST 28, 2000,
AS AMENDED

Amendment to

SCHEDULE A

RYDEX DYNAMIC FUNDS
Rule 18f-3 Multiple Class Plan

FUND	A CLASS	C CLASS	H CLASS
Titan 500	X	X	X
Tempest 500	X	X	X
Venture 100	X	X	X
Velocity 100	X	X	X
Master Titan 500	X	X	X
Master Tempest 500	X	X	X
Master Venture 100	X	X	X
Master Velocity 100	X	X	X

ADDITIONS AND [DELETIONS] ARE NOTED IN BOLD.

Exhibit D

RYDEX DYNAMIC FUNDS
CERTIFICATE OF CLASS DESIGNATION

A CLASS SHARES

1. CLASS-SPECIFIC DISTRIBUTION ARRANGEMENTS; OTHER EXPENSES.

A Class Shares are subject to asset-based fees under a Distribution Plan (the "Plan"). Pursuant to Rule 12b-1, The Trust, on behalf of the applicable Fund, will make monthly payments to the Distributor for providing distribution services under the Plan approved by the Board of Trustees, at an annual rate of up to .25% of each Fund's average daily net assets attributable to the A Class Shares. The Distributor will use this fee to compensate service providers for providing distribution-related services, on-going account maintenance and other services to shareholders (including, when applicable, any underlying beneficial owners) including, but not limited to, answering routine customer inquiries concerning their investments.

2. ELIGIBILITY OF PURCHASERS

A Class Shares require a minimum initial investment of \$1,000 for retirement accounts, and \$2,500 for all other accounts.

3. EXCHANGE PRIVILEGES

A Class Shares of each Fund may be exchanged for A Class Shares of any other Fund in accordance with the procedures disclosed in the Trust's Prospectus, and subject to any applicable limitations resulting from the closing of Funds to new investors.

4. VOTING RIGHTS

Each A Class Shareholder will have one vote for each full A Class Share held and a fractional vote for each fractional A Class Share held. A Class Shareholders will have exclusive voting rights regarding any matter submitted to shareholders that relates solely to A Class Shares (such as a distribution plan relating to A Class Shares), and will have separate voting rights on any other matter submitted to shareholders in which the interests of the A Class Shareholders differ from the interests of holders of any other class.

5. CONVERSION RIGHTS

A Class Shares do not have a conversion feature.

CODE OF ETHICS

PROCEDURE CREATION DATE: Adopted December 11, 1998 (by RDF, RSF, RVT, RGA, RFS, and RDI)
 Adopted [Date] (by Sphinx and RSP)
 Adopted by the Advisors, February 1, 2005
 Adopted by the Board, February 11, 2005

PROCEDURE REVIEWED AS OF: September 2004

PROCEDURE REVISED AS OF: February 1, 2002
 January 30, 2003
 August 25, 2003
 February 1, 2005

REGULATORY RULES: Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 under the Investment Advisers Act of 1940

BUSINESS UNIT: Compliance Department
 RESPONSIBILITY: Compliance Administrator
 MANAGER RESPONSIBLE: Compliance Manager
 COVERED ENTITIES:

This Combined Code of Ethics adopted under Rule 17j-1 under the Investment Company Act of 1940 (the "1940 Act") and Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act") covers the following companies:

<TABLE>
 <CAPTION>

TRUSTS	ADVISORS	SERVICE PROVIDERS
<S>	<C>	<C>
o Rydex Dynamic Funds	o PADCO Advisors, Inc.	o Rydex Fund Services, Inc.
o Rydex Series Funds	o PADCO Advisors II, Inc.	o Rydex Distributors, Inc.
o Rydex Variable Trust	o Rydex Capital Partners I, LLC	
o Rydex ETF Trust	o Rydex Capital Partners II, LLC	
o Rydex Capital Partners Sphinx Fund		

</TABLE>

PROCEDURE:

Rydex Dynamic Funds, Rydex Series Funds, Rydex Variable Trust, Rydex ETF Trust, and Rydex Capital Partners Sphinx Fund (each a "Trust" and jointly the "Trusts"), and PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Capital Partners I, LLC, Rydex Capital Partners II, LLC, Rydex Fund Services, Inc. and Rydex Distributors, Inc. (each a "Company," jointly the "Companies," and together with the Trusts, "Rydex") are confident that their officers, trustees, directors and employees act with integrity and good faith. Rydex recognizes, however, that personal interests may conflict with a Trust's or Company's interests where trustees, directors, officers or employees:

- o Know about present or future portfolio transactions or

- o Have the power to influence portfolio transactions; and
- o Engage in personal transactions in securities.

In an effort to prevent these conflicts from arising and in accordance with Rule 17j-1(b)(1) under the 1940 Act and Rule 204A-1 under the Advisers Act, Rydex has adopted this Code of Ethics and all amendments thereto (together, the "Code") to prohibit transactions that create, may create, or appear to create conflicts of interest, and to establish reporting requirements and enforcement procedures. Each trustee, director, officer and employee of Rydex should carefully read and review this Code.

1. About Rydex

1.1. Rydex Dynamic Funds, Rydex Series Funds, Rydex Variable Trust, and Rydex ETF Trust are separately registered open-end management investment companies. Rydex Capital Partners Sphinx Fund is a non-diversified closed-end management investment company. Each Trust may consist of multiple investment portfolios (each a "Fund" and together, the "Rydex Funds"). The Rydex Funds may be grouped primarily into three broad categories: (1) Benchmark Funds (one of which is exchange-traded), (2) Sector Funds, and (3) Strategic Funds. In addition, there is a Money Market Fund and a closed-end fund of hedge funds (the "Sphinx Fund").

EXHIBIT P.DOC

PROCEDURE NUMBER: IC02.2.1

1.2. PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Capital Partners I, LLC, and Rydex Capital Partners II, LLC (the "Advisors") are each investment advisers. PADCO Advisors, Inc. is the investment adviser for Rydex Dynamic Funds and Rydex Series Funds and PADCO Advisors II, Inc. is the investment adviser for Rydex Variable Trust and Rydex ETF Trust. Rydex Capital Partners I, LLC is the investment adviser for the Sphinx Fund and Rydex Capital Partners II, LLC is the investment adviser for Rydex Capital Partners Equity Market Neutral Fund, LP, a private equity fund.

1.3. Rydex Distributors, Inc. serves as the distributor to the Rydex Funds.

1.4. Rydex Financial Services, Inc. provides general administrative services and serves as the transfer agent to the Rydex Dynamic Funds, Rydex Series Funds and Rydex Variable Trust.

2. About this Code of Ethics

2.1. Transaction-Related and Reporting Provisions

This Code sets forth specific prohibitions relating to SECURITIES transactions and also sets out certain reporting requirements. They cover the persons identified below:

- o All Company officers and directors;
- o Employees who have access to nonpublic information regarding any clients' purchase or sale of securities or the portfolio holdings of any reportable fund, E.G. portfolio management and fund accounting personnel, are involved in making securities recommendations to clients, or have access to such recommendations that are nonpublic;
- o All Trustees of the Trusts, both INTERESTED and INDEPENDENT; and
- o Natural persons in a CONTROL relationship with a Company who obtain information concerning recommendations made to a Fund about the PURCHASE OR SALE of a SECURITY AND ARE NOT SPECIFICALLY COVERED BY ANY OTHER SECTION OF THE CODE.

For the prohibitions and reporting requirements that apply to you, please refer to Parts A-D, as indicated below. (Definitions of UNDERLINED terms are

included in Appendix A.)

- o Independent Trustees of the Trusts Part A
- o Interested Trustees of the Trusts Part B
- o ACCESS PERSONS Part C
- o Natural CONTROL Persons Part D

2.2. Other Provisions

The remainder of this Code sets forth general principles, required course of conduct, reporting obligations, and Rydex's review, enforcement and recordkeeping responsibilities as well as other miscellaneous information.

3. Statement of General Principles

In recognition of the trust and confidence placed in Rydex by shareholders of the Trusts, and because Rydex believes that their operations should benefit shareholders, Rydex has adopted the following universally applicable principles.

1. Shareholders' interests are paramount. You must place shareholder interests before your own.
2. You must accomplish all personal SECURITIES transactions in a manner that avoids even the appearance of a conflict of your personal interests with those of a Trust and its shareholders.
3. You must avoid actions or activities that allow (or appear to allow) you or your family to profit or benefit from your position with Rydex, or that bring into question your independence or judgment.
4. You must comply with all applicable federal securities laws, including the prohibitions against the misuse of material nonpublic information, in conducting yourself and the operations of Rydex.

4. Required Course of Conduct

4.1. Prohibition Against Fraud, Deceit and Manipulation

You cannot, in connection with the PURCHASE OR SALE, directly or indirectly, of a SECURITY HELD OR TO BE ACQUIRED by any Fund:

- a. employ any device, scheme or artifice to defraud the Fund;
- b. make to the Fund any untrue statement of a material fact or omit to state to the Fund a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

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-
- c. engage in any act, practice or course of business which would operate as a fraud or deceit upon the Fund; or
 - d. engage in any manipulative practice with respect to the Fund.

Two of the most common risks associated with personal SECURITIES transactions are front-running and trading opposite a fund. For example, front-running would include the purchase of a SECURITY any time within seven days ahead of when a fund purchases the same SECURITY or the sale of a SECURITY any time within seven days ahead of when a fund sells the same SECURITY. An example of trading opposite a fund would include the sale of a SECURITY any time within seven days after a fund purchases the same SECURITY or the purchase of a security any time within seven days after a fund sells the same SECURITY.

4.2. Limits on Accepting or Receiving Gifts

Access Persons cannot accept or receive any gift of more than DE MINIMIS value from any person or entity that does business with or on behalf of Rydex. THIS PROVISION DOES NOT INCLUDE:

- o occasional meals, tickets to a sporting event or the theater, or normal business entertainment; and
- o any payment or reimbursement for professional training or educational meetings.

5. Confidentiality - All personal SECURITIES transactions reports and any other information filed with Rydex under this Code will be treated as confidential, provided that such reports and related information may be produced to the Securities and Exchange Commission (the "SEC") and other regulatory agencies.

6. Interpretation of Provisions - The Board of Trustees of the Trusts may from time to time adopt such interpretations of this Code as it deems appropriate.

7. Acknowledgment of Receipt and Annual Certification - Each interested Trustee, director, officer, employee and affiliated agent of Rydex will receive a copy of the Code and any subsequent amendments to the Code, and each such person must acknowledge receipt of the Code in writing. In addition, each such person is required to certify annually that he/she (i) has read and understands the Code, (ii) is aware that he/she is subject to the provisions of this Code, (iii) has complied with the Code at all times during the previous calendar year, and (iv) has, during the previous calendar year, reported all holdings and transactions that he/she is required to report pursuant to the Code. The acknowledgement of receipt and certification may be made electronically via the rydex.starcompliance.com web site.

EXCEPTION HANDLING:

The Compliance Officer, in his or her discretion, may exempt any person from any specific provision of the Code, if the Compliance Officer determines that (a) the services of the person are valuable to Rydex; (b) the failure to grant this exemption will result in an undue burden on the person or prevent the person from being able to render services to Rydex; and (c) granting the exemption does not detrimentally affect the shareholders of the Rydex Funds. The Compliance Officer will prepare a report documenting the nature of any exemption granted, the persons involved and the reasons for granting such exemption.

Any person granted an exemption with respect to a particular transaction must furnish the Compliance Officer with a written report concerning that transaction within three (3) days of the transaction.

REPORTING REQUIREMENTS:

1. Individual Reporting Obligations - See Parts A, B, C or D as appropriate, for your specific reporting obligations.

1.1. Obligation to Report Violations of the Code - In addition to the individual reporting requirements referenced above, any violation of the Code must be promptly reported to the Compliance Officer.

2. Annual Written Report to the Board - At least once a year, the Compliance Officer, on behalf of Rydex, will provide the Board of Trustees of each Trust a WRITTEN report that includes:

2.1. Issues Arising Under the Code - The Report will describe any issue(s) that arose during the previous year under the Code, including any material Code violations, and any resulting sanctions.

2.2. Certification - The Report will certify to the Boards of Trustees that each Company has adopted measures reasonably necessary to prevent its personnel from violating the Code currently and in the future.

3. Periodic Review and Reporting - The Compliance Officer (or his or her designee) will report to the Boards of Trustees at least annually as to the operation of this Code and will address in any such report the need (if any) for further changes or modifications to this Code.

TESTING AND REVIEW:

Each Trust and Company shall appoint the Compliance Officer.

1. Duties of the Compliance Officer

1.1. The Compliance Officer will, on a quarterly basis, compare all reported personal SECURITIES transactions with the Trusts' completed portfolio transactions and a list of securities being considered for purchase or sale by the Advisors to determine whether a Code violation may have occurred. The Compliance Officer may request additional information or take any other appropriate measure that the Compliance Officer decides is necessary to aid in this determination. Before determining that a person has violated the Code, the Compliance Officer must give the person an opportunity to supply explanatory material.

1.2. If the Compliance Officer determines that a Code violation may have occurred, the Compliance Officer must submit the determination, together with the confidential quarterly report and any explanatory material provided by the person, to the President of the Trust or Company and fund counsel ("Counsel"). The President of the Trust or Company and Counsel will independently determine whether the person violated the Code.

1.3. No person is required to participate in a determination of whether he or she has committed a Code violation or of the imposition of any sanction against himself or herself. If a securities transaction of the President is under consideration, a Vice President will act for the President for purposes of this Section.

2. SANCTIONS - If the President and Counsel find that the person violated the Code, the President will impose upon the person sanctions that the President deems appropriate and will report the violation and the sanction imposed to the Board of Trustees of the Rydex Funds at the next regularly scheduled board meeting unless, in the sole discretion of the Trusts' President, circumstances warrant an earlier report.

RECORDKEEPING:

The Companies will maintain records as set forth below. These records will be maintained in accordance with Rule 31a-2 under the 1940 Act and Rule 204-2(a)(12) under the Advisers Act and will be available for examination by representatives of the SEC.

- o A copy of this Code and any other code which is, or at any time within the past five years has been, in effect will be preserved in an easily accessible place;
- o A list of all persons who are, or within the past five years have been, required to submit reports under this Code will be maintained in an easily accessible place;
- o A copy of each report made by a person under this Code will be preserved for a period of not less than five years from the end of the fiscal year in which it is made, the first two years in an easily accessible place;
- o A copy of each duplicate brokerage confirmation and each periodic statement provided under this Code will be preserved for a period of not less than five years from the end of the fiscal year in which it is made, the first two years in an easily accessible place.
- o A record of any Code violation and of any sanctions taken will

be preserved in an easily accessible place for a period of not less than five years following the end of the fiscal year in which the violation occurred;

- o A copy of each annual report to the Board of Trustees will be maintained for at least five years from the end of the fiscal year in which it is made, the first two years in an easily accessible place;
- o A copy of all Acknowledgements of Receipt and Annual Certifications as required by this Code for each person who is currently, or within the past five years was required to provide such Acknowledgement of Receipt or Annual Certification; and
- o The Companies will maintain a record of any decision, and the reasons supporting the decision, to approve the acquisition of SECURITIES in an INITIAL PUBLIC OFFERING ("IPO") or a PRIVATE PLACEMENT, for at least five years after the end of the fiscal year in which the approval is granted.

DISCLOSURE:

The Code of Ethics will be disclosed in accordance with the requirements of Forms ADV, N1-A, and N-2.

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REVISIONS:

These procedures shall remain in effect until amended, modified or terminated. The Boards of Trustees must approve any material amendments to the Code within six months of the amendment.

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PART A PROCEDURES FOR INDEPENDENT TRUSTEES

GENERAL OBLIGATIONS.

1. Required Transaction Reports

1.1. On a quarterly basis you must report any SECURITIES transactions, as well as any SECURITIES accounts established. You must submit your report to the Compliance Officer no later than 30 calendar days after the end of the calendar quarter in which the transaction to which the report relates was effected. Quarterly Personal Securities Transactions Reports will be made electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the Quarterly Transaction Report is due, including instructions on how to access the information and complete the report.

1.2. If you had no reportable transactions or did not open any SECURITIES accounts during the quarter, you are not required to submit a report.

1.3. Reports of individual SECURITIES transactions are required only if you KNEW at the time of the transaction or, in the ordinary course of fulfilling your official duties as a Trustee, SHOULD HAVE KNOWN, that during the 15-calendar day period immediately preceding or following the date of your transaction, the same SECURITY was PURCHASED OR SOLD, or was BEING CONSIDERED FOR PURCHASE OR SALE, by a Fund.

NOTE: The "SHOULD HAVE KNOWN" standard does not:

- o imply a duty of inquiry;

- o presume you should have deduced or extrapolated from discussions or memoranda dealing with the Fund's investment strategies; or
- o impute knowledge from your prior knowledge of the Fund's portfolio holdings, market considerations, or investment policies, objectives and restrictions.

2. What Securities are Covered Under Your Quarterly Reporting Obligation?

If the transaction is reportable because it came within paragraph (1), above, you must report all transactions in SECURITIES that: (i) you directly or indirectly BENEFICIALLY OWN or (ii) because of the transaction, you acquire direct or indirect BENEFICIAL OWNERSHIP. The report must also contain any account you established in which any SECURITIES were held during the quarter.

3. What Securities and Transactions May Be Excluded from Your Report?

You are not required to detail or list the following SECURITIES or transactions on your quarterly report:

- a. PURCHASES OR SALES effected for any account over which you have no direct or indirect influence or CONTROL.
- b. Purchases you made solely with the dividend proceeds received in a dividend reinvestment plan or that are part of an automatic payroll deduction plan or other similar type of plan, where you purchase SECURITIES issued by your employer.
- c. Purchases arising from the exercise of rights issued by an issuer PRO RATA to all holders of a class of its SECURITIES, as long as you acquired these rights from the issuer, and sales of such rights so acquired.
- d. Purchases of SECURITIES issued by the U.S. Government or its agencies, bankers' acceptances, bank certificates of deposit, commercial paper, high quality short-term debt instruments, including repurchase agreements, and registered open-end mutual funds, other than REPORTABLE funds.
- e. PURCHASES OR SALES which are non-volitional on your part, including PURCHASES OR SALES upon exercise of puts or calls written by you and sales from a margin account to a BONA FIDE margin call.

You may include a statement in your report that the report shall not be construed as your admission that you have any direct or indirect BENEFICIAL OWNERSHIP in the SECURITY included in the report.

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PART B INTERESTED TRUSTEES

GENERAL OBLIGATIONS.

1. Providing a List of Securities

You must provide the Compliance Officer with a complete listing of all securities you BENEFICIALLY OWN as of December 31 of the previous year. Each following year, you must submit a revised list to the Compliance Officer showing the SECURITIES you BENEFICIALLY OWN as of December 31. You must submit the initial listing within 10 calendar days of the date you first become a Trustee, and each update no later than 30 calendar days after the start of the year. The Initial Holdings Report and Annual Holdings Report, as applicable, will be delivered electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the applicable report is due, including instructions on how to access the information and complete the report.

You are NOT required to provide this list of securities if you are not currently affiliated with or employed by a Trust's investment adviser(s) or distributor.

2. Required Transaction Reports

On a quarterly basis you must report any SECURITIES transactions, as well as any SECURITIES accounts established. You must submit your report to the Compliance Officer no later than 30 calendar days after the end of the calendar quarter in which the transaction to which the report relates was effected. Quarterly Personal Securities Transactions Reports will be made electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the Quarterly Transaction Report is due, including instructions on how to access the information and complete the report.

If you had no reportable transactions or did not open any SECURITIES accounts during the quarter, you are still required to submit a report. Please sign in the space provided and submit the report with no transactions listed.

3. What Securities are Covered Under Your Quarterly Reporting Obligation?

You must report all transactions in SECURITIES that: (i) you directly or indirectly BENEFICIALLY OWN or (ii) because of the transaction, you acquire direct or indirect BENEFICIAL OWNERSHIP. The report must also contain any account you established in which any SECURITIES were held during the quarter.

4. Pre-Approval of IPOs and Private Placements

You must obtain approval from the Compliance Officer before acquiring BENEFICIAL OWNERSHIP of any SECURITIES offered in connection with an IPO or a PRIVATE PLACEMENT.

5. What Securities and Transactions May Be Excluded from Your Report?

You are not required to detail or list the following SECURITIES or transactions on your report:

- a. PURCHASES OR SALES effected for any account over which you have no direct or indirect influence or CONTROL.
- b. Purchases you made solely with the dividend proceeds received in a dividend reinvestment plan or that are part of an automatic payroll deduction plan or other similar type of plan, where you purchase SECURITIES issued by your employer.
- c. Purchases arising from the exercise of rights issued by an issuer PRO RATA to all holders of a class of its SECURITIES, as long as you acquired these rights from the issuer, and sales of such rights so acquired.
- d. Purchases of SECURITIES issued by the U.S. Government or its agencies, bankers' acceptances, bank certificates of deposit, commercial paper, high quality short-term debt instruments, including repurchase agreements, and registered open-end mutual funds, other than REPORTABLE funds.
- e. PURCHASES OR SALES which are non-volitional on your part, including PURCHASES OR SALES upon exercise of puts or calls written by you and sales from a margin account to a BONA FIDE margin call.

You may include a statement in your report that the report shall not be construed as your admission that you have any direct or indirect BENEFICIAL OWNERSHIP in the SECURITY included in the report.

GENERAL OBLIGATIONS

1. Thirty-Day Prohibition on Selling Securities

You cannot sell a SECURITY within 30 calendar days of acquiring that SECURITY.

2. Providing a List of Securities

You must provide the Compliance Officer with a complete listing of all securities you BENEFICIALLY OWN as of December 31 of the previous year. Each following year, you must submit a revised list to the Compliance Officer showing the SECURITIES you BENEFICIALLY OWN as of December 31. You must submit the initial listing within 10 calendar days of the date you first become an ACCESS PERSON, and each update no later than 30 calendar days after the start of the year. The Initial Holdings Report and Annual Holdings Report, as applicable, will be delivered electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the applicable report is due, including instructions on how to access the information and complete the report.

You are NOT required to provide this list of securities if you are not currently affiliated with or employed by a Trust's investment adviser(s) or distributor.

3. Duplicate Brokerage Confirmation and Statements

You must direct your brokers to provide the Compliance Officer with duplicate copies of confirmations of all securities transactions in which you will acquire BENEFICIAL OWNERSHIP of a security and copies of periodic statements for all personal securities accounts.

4. Pre-Clearance Requirement

You must submit a report detailing every proposed SECURITIES transaction in which you will acquire a BENEFICIAL OWNERSHIP interest to the Compliance Officer and obtain pre-clearance for each securities transaction prior to engaging in the transaction. The report shall include the name of the security, date of the proposed transaction, quantity, price, and broker-dealer through which the transaction is to be effected.

4.1. Pre-Approval of IPOs and Private Placements

You must obtain approval from the Compliance Officer before acquiring BENEFICIAL OWNERSHIP of any SECURITIES offered in connection with an IPO or a PRIVATE PLACEMENT.

5. Required Transaction Reports

On a quarterly basis you must report transactions in SECURITIES, as well as any SECURITIES accounts established. You must submit your report to the Compliance Officer no later than 30 calendar days after the end of the calendar quarter in which the transaction to which the report relates was effected. Quarterly Personal Securities Transactions Reports will be made electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the Quarterly Transaction Report is due, including instructions on how to access the information and complete the report.

If you had no reportable transactions or did not open any SECURITIES accounts during the quarter, you are still required to submit a report. Please sign in the space provided and submit the report with no transactions listed.

6. What Securities are Covered Under Your Quarterly Reporting Obligation?

You must report all transactions in SECURITIES that: (i) you directly or indirectly BENEFICIALLY OWN or (ii) because of the transaction, you acquire direct or indirect BENEFICIAL OWNERSHIP. The report must contain any account you established in which any SECURITIES were held during the quarter.

7. What Securities and Transactions May Be Excluded from YourREPORT?

You are not required to detail or list the following SECURITIES or transactions on your report.

- a. PURCHASES OR SALES effected for any account over which you have no direct or indirect influence or CONTROL.
- b. Purchases you made solely with the dividend proceeds received in a dividend reinvestment plan or that are part of an automatic payroll deduction plan or other similar type of plan, where you purchase SECURITIES issued by your employer.

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- c. Purchases arising from the exercise of rights issued by an issuer PRO RATA to all holders of a class of its SECURITIES, as long as you acquired these rights from the issuer, and sales of such rights so acquired.
- d. Purchases of SECURITIES issued by the U.S. Government or its agencies, bankers' acceptances, bank certificates of deposit, commercial paper, high quality short-term debt instruments, including repurchase agreements, and registered open-end mutual funds, other than REPORTABLE funds.
- e. PURCHASES OR SALES which are non-volitional on your part, including PURCHASES OR SALES upon exercise of puts or calls written by you and sales from a margin account to a BONA FIDE margin call.

You may include a statement in your report that the report shall not be construed as your admission that you have any direct or indirect BENEFICIAL OWNERSHIP in the SECURITY included in the report.

8. Seven-Day Blackout Period on Personal Securities Transactions

You cannot PURCHASE OR SELL, directly or indirectly, any SECURITY in which you had (or by reason of such transaction acquire) any BENEFICIAL OWNERSHIP at any time within seven calendar days before or after the time that the same (or a related) SECURITY IS BEING PURCHASED OR SOLD by any Rydex Fund. This provision will only apply if you obtain specific information regarding the PURCHASE OR SALE of a SECURITY by a Rydex Fund.

8.1. Exception to Blackout Period

The seven-day blackout period does not apply to the PURCHASE OR SALE of any SECURITY (i) of a company with a market capitalization in excess of \$500 million, (ii) included in either the S&P 500 Composite Index or the NASDAQ 100 Index, and (iii) made in dollar amounts less than \$25,000.

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PART D NATURAL CONTROL PERSONS

GENERAL OBLIGATIONS.

1. Providing a List of Securities

You must provide the Compliance Officer with a complete listing of all SECURITIES you BENEFICIALLY OWN as of December 31 of the previous year. Each following year, you must submit a revised list to the Compliance Officer showing the SECURITIES you BENEFICIALLY OWN as of December 31. You must submit the initial listing within 10 calendar days of the date you first become a natural CONTROL person, and each update no later than 30 calendar days after the start of the year. The Initial Holdings Report and Annual Holdings Report, as

applicable, will be delivered electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the applicable report is due, including instructions on how to access the information and complete the report.

You are NOT required to provide this list of securities if you are not currently affiliated with or employed by the Trusts' investment adviser(s) or distributor.

2. Required Transaction Reports

On a quarterly basis you must report any SECURITIES transactions, as well as any SECURITIES accounts established. You must submit your report to the Compliance Officer no later than 30 calendar days after the end of the calendar quarter in which the transaction to which the report relates was effected. Quarterly Personal Securities Transactions Reports will be made electronically, via the RYDEX.STARCOMPLIANCE.COM web site. You will receive notification via email when the Quarterly Transaction Report is due, including instructions on how to access the information and complete the report.

If you had no reportable transactions or did not open any SECURITIES accounts during the quarter, you are still required to submit a report. Please sign in the space provided and submit the report with no transactions listed.

3. What Securities are Covered Under Your Quarterly Obligation?

You must report all transactions in SECURITIES that: (i) you directly or indirectly BENEFICIALLY OWN or (ii) because of the transaction, you acquire direct or indirect BENEFICIAL OWNERSHIP. The report must also include any account you established in which SECURITIES were held during the quarter.

4. Pre-Approval of IPOs and Private Placements

You must obtain approval from the Compliance Officer before acquiring BENEFICIAL OWNERSHIP of any SECURITIES offered in connection with an IPO or a PRIVATE PLACEMENT.

5. What Securities and Transactions are Excluded from Your Reporting Obligation?

You are not required to detail or list the following SECURITIES or transactions on your report:

- o PURCHASES OR SALES effected for any account over which you have no direct or indirect influence or control.
- o Purchases you made solely with the dividend proceeds received in a dividend reinvestment plan or that are part of an automatic payroll deduction plan, where you purchase SECURITIES issued by your employer.
- o Purchases arising from the exercise of rights issued by an issuer PRO RATA to all holders of a class of its SECURITIES, as long as you acquired these rights from the issuer, and sales of such rights so acquired.
- o Purchases of SECURITIES issued by the U.S. Government or its agencies, bankers' acceptances, bank certificates of deposit, commercial paper, high quality short-term debt instruments, including repurchase agreements, and registered open-end mutual funds, other than REPORTABLE funds.
- o PURCHASES OR SALES which are non-volitional on your part, including PURCHASES OR SALES upon exercise of puts or calls written by you and sales from a margin account to a BONA FIDE margin call.

You may include a statement in your report that the report shall not be construed as your admission that you have any direct or indirect BENEFICIAL OWNERSHIP in the SECURITY included in the report.

APPENDIX A DEFINITIONS

ACCESS PERSON includes: (a) any trustee, director or officer and (b) any supervised person who has access to nonpublic information regarding any clients' purchase or sale of securities or the portfolio holdings of any reportable fund, E.G. portfolio management and fund accounting personnel, is involved in making securities recommendations to clients, or has access to such recommendations that are nonpublic.

BENEFICIAL OWNERSHIP means the same as under Section 16 of the Securities Exchange Act of 1934 and Rule 16a-1(a)(2) thereunder. You should generally consider yourself the beneficial owner of any SECURITY in which you have a direct or indirect pecuniary interest. In addition, you should consider yourself the beneficial owner of SECURITIES held by your spouse, your minor children, a relative who shares your home, or other persons by reason of any contract, arrangement, understanding or relationship that provides you with sole or shared voting or investment power.

CONTROL means the same as that under Section 2(a)(9) of the 1940 Act. Section 2(a)(9) provides that "control" means the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Ownership of 25% or more of a company's outstanding voting SECURITIES is presumed to give the holder of such SECURITIES control over the company. This presumption may be countered by the facts and circumstances of a given situation.

INDEPENDENT TRUSTEE means a trustee of a Trust who is not an "interested person" of the Trust within the meaning of Section 2(a)(19) of the 1940 Act. As of February 1, 2005, the Trusts' INDEPENDENT TRUSTEES are:

Corey A. Colehour
J. Kenneth Dalton
Roger Somers
John O. Demaret
Patrick T. McCarville
Werner E. Keller
Thomas F. Lydon Jr.

INITIAL PUBLIC OFFERING ("IPO") means an offering of SECURITIES registered under the Securities Act of 1933, the issuer of which, immediately before registration, was not subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934.

INTERESTED TRUSTEE means a trustee of a Trust who is an "interested person" of the Trust within the meaning of Section 2(a)(19) of the 1940 Act. As of February 1, 2005, the Trusts' only INTERESTED trustees are:

Carl G. Verboncoeur
Michael P. Byrum

PRIVATE PLACEMENT means an offering that is exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) or Section 4(6) in the Securities Act of 1933.

PURCHASE OR SALE OF A SECURITY includes, among other things, the writing of an option to purchase or sell a SECURITY.

REPORTABLE FUND means any fund for which you serve as investment adviser, any fund whose investment adviser or principal underwriter controls you, is controlled by you, or is under common control with you, or any closed-end fund regardless of affiliation. For purposes of this Code definition, control has the same meaning as it does above.

SECURITY means the same as that set forth in Section 2(a)(36) of the 1940 Act, except that it does not include securities issued by the U.S. Government or its agencies, bankers' acceptances, bank certificates of deposit, commercial paper, shares of registered open-end mutual funds other than REPORTABLE FUNDS, and high quality short-term debt instruments, including repurchase agreements. A SECURITY

does not include index futures or other commodities. For purposes of this Code, a security does include futures, options, options on futures, and other types of derivatives.

A SECURITY HELD OR TO BE ACQUIRED by a Trust (or any Fund) means any SECURITY which, within the most recent 15 days, (i) is or has been held by a Trust (or any Fund) or (ii) is being or has been considered by a Trust's Advisor or sub-adviser for purchase by the Trust (or any Fund), and any option to purchase or sell, and any SECURITY convertible into or exchangeable for any SECURITY.

A SECURITY is BEING PURCHASED OR SOLD by a Trust from the time a PURCHASE OR SALE program has been communicated to the person who places buy and sell orders for the Trust until the program has been fully completed or terminated.

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COMPLIANCE OFFICER means the chief compliance officer of Rydex Dynamic Funds, Rydex Series Funds, Rydex Variable Trust, Rydex ETF Trust, and the Sphinx Fund pursuant to Rule 38a-1 under the 1940 Act and the chief compliance officer of PADCO Advisors, Inc., PADCO Advisors II, Inc., Rydex Capital Partners I, LLC, and Rydex Capital Partners II, LLC pursuant to Rule 206(4)-7 under the Advisers Act, or any person designated by such chief compliance officer to act in the chief compliance officer's absence. As of February 1, 2005, the Compliance Officer is:

Joanna M. Haigney