



CLAYMORE ETFs
Efficient • Transparent • Flexible

Exchange-Traded Funds: Their History and an Overview of Potential Benefits

CLAYMORE ETF INDEX METHODOLOGY

An ETF's index methodology — the parameters that guide stock selection — defines its investment philosophy. Traditional ETFs rely on passive indices that were created to be benchmarks, not investments. By combining fundamental investment research with the discipline of indexed investing, Claymore believes we have created a better ETF.

Exchange-traded funds, also known as ETFs, are one of the fastest growing investment products in today's global marketplace. They are built like mutual funds but trade like individual stocks on major stock exchanges and can be bought or sold throughout the trading day. ETFs are constructed to, net of expenses, track the holdings and performance of a defined index of securities and enable investors to purchase a cost-efficient and diversified portfolio in one transaction. There are other advantages as well, including tax efficiency, liquidity and transparency among others. The unique attributes and benefits of ETFs appeal to both individual and institutional investors.

This overview is meant to familiarize you with the exchange-traded fund structure and to introduce you to Claymore's line of unique ETFs. You'll find detailed information on these topics:

1. The genesis of ETFs
2. The unique benefits of ETFs
3. How ETFs compare to other investment solutions
4. Claymore's philosophy of ETF investing and index methodology

The Genesis of Exchange-Traded Funds

In the early 1990's, innovation at the American Stock Exchange ("AMEX") spawned the ETF market. The AMEX broke new ground with the concept of a tradable basket of stocks through its launch of the Standard & Poor's Depository Receipt ("SPDR"). This new product enabled investors, for the first time, to trade the entire S&P 500 in a single share of stock – and most importantly, to trade it at essentially fair value. Today the global ETF market represents about US\$484 billion in assets with more than 525 ETFs with listings around the world as of July 2006. Many experts predict that the ETF market will continue to grow over the next decade as individual investors become more familiar with the benefits ETFs provide.

The Benefits of Exchange-Traded Funds

TAX EFFICIENCY	ETFs generally make substantially lower capital gains distributions compared with mutual funds over time. That's because there are typically fewer purchase and sale transactions in an ETF versus mutual funds. Redemptions and subscriptions are generally effected by large investors, known as Designated Brokers ("DBs"), on an "in kind" basis by exchanging baskets of securities, rather than cash, for ETF shares. Therefore, ETFs are generally able to avoid realizing taxable gains on the positions they hold (although ETF shareholders may realize taxable gains when they sell their shares in ETFs).
LIQUIDITY	Like stocks, many ETFs are extremely liquid. They trade daily on major stock exchanges and investors can place stop or limit orders and even buy on margin and sell short at any time during the trading day at the current market price.
TRANSPARENCY	ETFs publish their holdings daily, enabling investors to know exactly what they own and to make informed investment decisions. Additionally, ETFs provide investors with the ability to trade with the market at known prices. Most open-end mutual fund investors buy and redeem shares at unknown prices — receiving the net asset value of the fund at the close of the business day.
DIVERSIFICATION	ETFs represent an investment in an index or basket of securities, thus providing a convenient and single-trade approach to achieve diversification. This level of diversification would be time consuming (and expensive) to replicate using individual stocks and bonds.
COST EFFICIENCY	ETFs have relatively low annual expense ratios compared to other investment products. This is because ETFs are index-based and do not generally experience the amount of portfolio turnover and trading costs of other products. Additionally, because redemptions and subscriptions occur in-kind there are fewer internal costs associated with operating an ETF versus a typical open-end mutual fund. Essentially, the commission and other related expenses that open-end mutual funds pay to buy and sell securities are triggered by shareholder activity, which is greatly reduced in an ETF.

How ETFs Compare to Other Investment Solutions

Comparing Claymore ETFs to Other Investment Solutions				
	CLAYMORE ETFs	COMMON STOCKS	OPEN-END FUNDS	CLOSED-END FUNDS
ALL DAY LIQUIDITY	✓	✓		✓
PORTFOLIO TRANSPARENCY	✓			
TAX-EFFICIENT	✓			
DIVERSIFICATION	✓		✓	✓
LOW EXPENSES	✓			
PROFESSIONAL MANAGEMENT/ DEFINED STRATEGIES	✓		✓	✓
FULLY INVESTED	✓	✓		✓

Claymore ETFs — Access to Innovation

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

Relative to industry benchmarks, our partners’ indices are designed to offer the potential for excess return by isolating historically significant factors that contribute to superior investment performance. Claymore’s index partners are specialists in quantitative methods of stock selection, and have incorporated the nuances of ETF operations in the development of their strategic indices.

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

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

Claymore’s ETF Family

Claymore ETFs are investment trusts with units that trade throughout the day on the Toronto Stock Exchange during normal trading hours. Below is a summary of Claymore’s Canadian ETF products.

Claymore’s Exchange-Traded Funds Offered in Canada

CRQ	Claymore Canadian Fundamental Index ETF has been designed to replicate the performance of the FTSE RAFI Canada Index, TM which comprises those Canadian companies with the highest fundamental weightings based on dividends, cash flow, sales and book value.
CGB	Claymore Global Fundamental Index ETF has been designed to replicate the performance of the RAFI Global ex US 1000 Index, TM which comprises those global companies with the highest fundamental weightings based on dividends, cash flow, sales and book value.
CLU	Claymore US Fundamental Index ETF C\$ Hedged has been designed to replicate the performance of the FTSE RAFI US 1000 Canadian Dollar Hedged Index TM , which comprises those US companies with the highest fundamental weightings based on dividends, cash flow, sales and book value. The index employs a currency hedging program to protect against movements in currency exchange rates.
CJP	Claymore Japan Fundamental Index ETF C\$ Hedged has been designed to replicate the performance of the FTSE RAFI Japan Canadian Dollar Hedged Index, TM which comprises those Japanese companies with the highest fundamental weightings based on dividends, cash flow, sales and book value. The index employs a currency hedging program to protect against movements in currency exchange rates.
CLO	Claymore Oil Sands Sector ETF has been designed to replicate the performance of the Sustainable Oil Sands Sector Index, TM which was designed to give investors the maximum exposure to the fastest growing industry in Canada and is restricted to companies that are highly focused on oil sands production.
CBQ	Claymore BRIC ETF has been designed to replicate the performance of the BNY BRIC Select ADR Index (the “BNY BRIC INDEX”), which seeks market exposure to companies from Brazil, Russia, India and China through American Depositary Receipts.
CDZ	Claymore CDN Dividend & Income Achievers ETF has been designed to replicate the performance of the Mergent’s Canadian Dividend & Income Achievers Index, which seeks a diversified group of dividend and distribution paying companies that have consistently increased their annual dividends and payouts to shareholders.

For more information on these products, including an explanation of their investment objectives and risks, please talk to your financial advisor or visit Claymore’s website: www.claymoreinvestments.ca.

The Claymore Advantage

We believe it is important to offer timely and innovative investment solutions. It is our goal to offer unique strategies and provide world-class support of these solutions from thought to after-market.

Claymore Investments, Inc. is a financial services company offering unique investment solutions for investment advisors and their valued clients. Claymore Investments specializes in the creation, marketing, distribution and management of investment products in both traditional and alternative asset classes.

Claymore Investments, Inc. is the wholly-owned Canadian subsidiary of Claymore Group Inc., a U.S. entity. Claymore Group entities have provided supervision, management, servicing or distribution on approximately US\$14 billion in assets through various investment products including closed-end funds, open-end funds and exchange-traded funds.

- Claymore Investments was one of the first firms to offer innovative ETF investment solutions in Canada based on intelligent indices.
- Claymore Investments has grown to become one of the pre-eminent issuers of Canadian syndicated exchange-traded products.
- Claymore is committed to providing timely and innovative investment solutions for financial advisors and their clients.
- Claymore partners with only those investment professionals that we believe are the best in their area of expertise.
- Claymore is committed to providing superior service and support of all of our products from concept to aftermarket.

How To Purchase Claymore ETFs

Claymore ETFs are listed on the Toronto Stock Exchange (TSX) in the same manner as shares of a publicly-traded company. Claymore ETFs can be purchased through most brokerage accounts. Shares can be bought and sold throughout the day on the TSX during normal trading hours.



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Risk Considerations

An investment in the Funds will be subject to certain risk factors. There can be no assurance that the Funds will be able to achieve their distribution or total return objectives and there is the potential for index tracking error. For more detailed information on the specific risk factors of each Fund, please read the prospectus carefully before investing.