INVESTOR'S BUSINESS DAILY®

JULY 5, 2016

ETFS

That Fizz You're Hearing Is A Consumer Staples ETF With Winning Style

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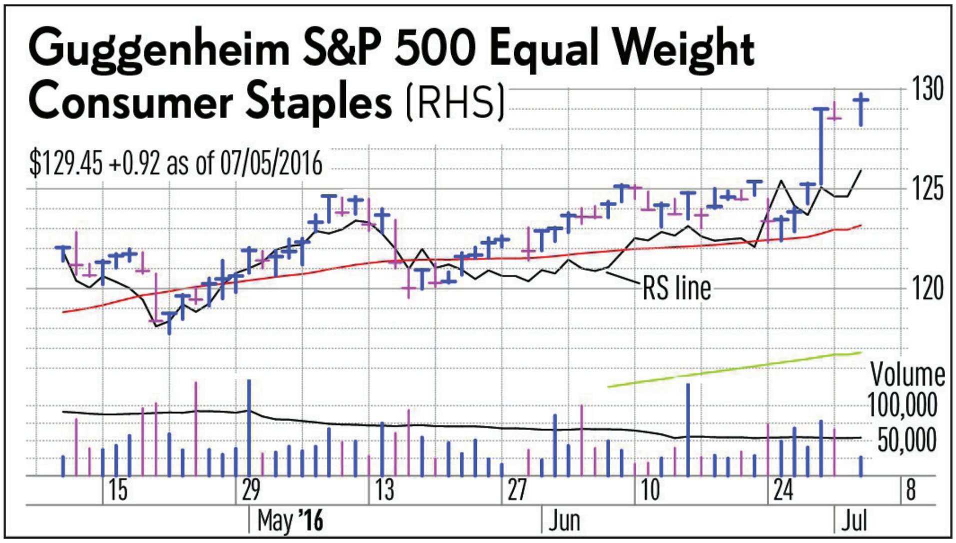

Top Consumer Staples ETFs

Ranked by returns over the past five years as of July 1 and screened for volume

ETF	Symbol	YTD	1 yr	2-yr avg	3-yr avg	5-yr avg
Guggenheim S&P 500 Eq Wt Cons Stapl	RHS	11.7%	22.4%	17.1%	18.2%	17.5%
First Trust Cnsmr Staples AlphaDEX	FXG	9.5	10.1	11.6	17.5	15.4
Consumer Staples Select Sector SPDR	XLP	9.9	16.8	13.6	14.0	14.8
Vanguard Consumer Staples	VDC	10.2	15.6	13.1	14.0	14.8
iShares U.S. Consumer Goods	IYK	7.6	11.3	9.8	12.0	13.0
PowerShares Dynamic Food & Beverage	PBJ	5.7	4.8	11.6	12.3	12.1

Source: Morningstar

Some pockets of the stock market invariably do well when investor optimism is wobbling. Several consumer staples ETFs are making new highs or trading near highs as heightened uncertainty raises the sector's appeal.

It's easy to see why it does. Consumers are going to need their soft drinks, bleach, cereal and flour no matter how the economy goes.

The consumer staples sector generally outperforms during recessionary periods and, to a lesser extent, late in a market cycle, writes Morningstar analyst Robert Goldsborough. It tends to underperform in the early innings.

"As such, investors interested in this fund should hold a strong belief that the economy is at least headed toward a recessionary environment," Goldsborough noted. Unless, of course, it's part of a diversified portfolio where its role is to help limit portfolio volatility.

Investors have hardly been dashing for the stock market exits in recent sessions, but Europe is a niggling worry. The fear is that the U.K's vote to leave the European Union could stoke a regional recession and even perhaps a broader economic slowdown.

Against that backdrop, Guggenheim S&P 500 Equal Weight Consumer Staples (RHS) climbed on the stock market today to its best level in more than two years. This exchange traded fund holds 36 large-cap stocks in the consumer staples sector.

As its name implies, the ETF veers away from the traditional weighting of stocks by market capitalization (or, the total value of all a company's shares of stock). Instead, each stock gets an identical weight in the portfolio.

Procter & Gamble[PG] accounts for roughly 3% of portfolio assets. So does **Whole Foods Market**[WFM].

By contrast, Consumer Staples Select Sector SPDR (XLP), a cap-weighted rival holding the same stocks, gives a 12% weight to Procter & Gamble, its largest stock holding. It has 0.6% weight in Whole Foods Market, its smallest holding.

The top 10 holdings in XLP account for 62% of its portfolio assets vs. 29% in RHS.

The equal-weighting method followed by the latter prevents a small handful of stocks from having an unduly large impact on performance.

That may sometimes work in an investor's favor. But an investor can be sure they'll always get less of a bias toward large companies and a shot at outperforming traditional, cap-weighted rivals with lower volatility.

RHS has delivered on that promise both year to date and over the longer run. It's up 11.7% in 2016 through July 1 — far outpacing the S&P 500 — and produced an average annual 17.5% gain over the past five years.

By comparison, larger peers XLP and Vanguard Consumer Staples (VDC) gained roughly 10% and an average annual 14.8% over those same periods.

VDC holds 101 cap-weighted stocks, including **Coca-Cola**KO, tobacco giant **Philip Morris**PM and **Monster Beverage**MNST, a top-rated IBD Leaderboard stock.

Both XLP and VDC also made new multiyear highs on the stock market today.

A potentially stronger dollar post-Brexit could act as a headwind for multinational firms such as Procter & Gamble, whose earnings rely on overseas sales. At the same time, investors are discounting the odds of a near-term rate hike. That should boost this dividend-paying sector.

"Consumer staples stocks tend to be sensitive to interest-rate hikes because most experience less earnings growth during economic expansions to offset the negative impact of rising interest rates," Goldsborough writes.

Equal-Weighted Suite

Guggenheim recently launched the 15th in its equal-weighted ETF suite. Guggenheim S&P 100 Equal Weight (OEW) invests in 100 of the largest and most stable companies in the S&P 500, giving each stock an equal portfolio weight. The cap-weighted S&P 100 Index (OEX) is widely used for derivatives and underlies OEX options.

The oldest ETF in this innovative suite, S&P 500 Equal Weight (RSP), has, since its 2003 inception, outperformed the cap-weighted S&P 500 in 100% of 10-year monthly rolling periods, 86% of five-year monthly rolling periods, and 81% of three-year monthly rolling periods, according to Guggenheim.

Guggenheim's equal-weighted strategies are helped by a disciplined quarterly rebalancing to target weights, which helps them buy stocks low and sell high.

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ETFs are subject to third-party transaction fees/commissions. Net asset value (NAV) is calculated by subtracting total liabilities from total assets, then dividing by the number of shares outstanding. Market price is the last price at which shares are traded. Fund shares may trade at above, or below NAV. For additional information, please see the fund's prospectus.

Risk Considerations The Guggenheim S&P 500® Equal Weight Consumer Staples ETF may not be suitable for all investors.• Investing in sector funds is more volatile than investing in broadly diversified funds, as there is a greater risk due to the concentration of the fund's holdings in issuers of the same or similar offerings. These funds are considered nondiversified and can invest a greater portion of their assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the value of fund shares than would occur in a more diversified fund. Guggenheim Equal Weight ETFs may not be suitable for all investors. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than original cost. Most investors will also incur customary brokerage commissions when buying or selling shares of an ETF. Investments in securities are subject to market risks that may cause their prices to fluctuate over time. • Please read the prospectus for more detailed information regarding these and other risks.

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Read the fund's prospectus and summary prospectus (if available) carefully before investing. It contains the fund's investment objectives, risks, charges, expenses, and other information, which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at GuggenheimInvestments.com.

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