

CURRENCYSHARES AUSTRALIAN DOLLAR TRUST

Form FWP

December 07, 2010

CONFIDENTIAL

|

PROPERTY

OF

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7813987  
FOR  
FINANCIAL  
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USE  
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Making Currency Relevant

I December 2010

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Is Currency a Legitimate Asset Class?

Question is not whether currency is a legitimate asset class but, rather, if it is relevant for most investors?

Up  
until  
the  
launch  
of  
CurrencyShares  
in  
2005,  
for  
most  
investors,  
currency  
wasn't  
an option.

Today, through ETFs, all investors have access to the most heavily traded and utilized currencies as well as a number of emerging market currencies.

Investors now have a simple, cost-effective, and efficient means to buy, sell, sell-short and implement option strategies on the world's most heavily traded asset class.

Strategies once limited to institutions can now be employed by everyone.

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3  
Making Currency Relevant  
Intraday  
Expense  
Trading  
NAV  
Ratio  
Options  
Symbol  
Symbol  
(%)  
Avail.  
Currency ETFs  
CurrencyShares  
Australian Dollar  
FXA  
FXANV  
0.40  
Y  
CurrencyShares  
British Pound Sterling  
FXB  
FXBNV  
0.40  
Y  
CurrencyShares  
Canadian Dollar  
FXC  
FXCNV  
0.40  
Y  
CurrencyShares  
Euro Trust  
FXE  
FXENV

0.40

Y

CurrencyShares

Japanese Yen Trust

FXJ

FXJIV

0.40

Y

CurrencyShares Mexican Peso

FXM

FXMNV

0.40

Y

CurrencyShares Russian Ruble

XRU

XRUIV

0.40

N

CurrencyShares Swedish Krona

FXS

FSXNV

0.40

Y

CurrencyShares Swiss Franc

FXF

FXFNV

0.40

Y

WisdomTree Dreyfus Emerging Currency Fund

CEW

CEWIV

0.55

Y

WisdomTree Dreyfus Brazilian Real Fund

BZF

BZFIV

0.45

Y

WisdomTree Dreyfus China Yuan Fund

CYB

CYBIV

0.45

Y

WisdomTree Dreyfus Euro Fund

EU

EUIV

0.35

Y

WisdomTree Dreyfus Indian Rupee Fund

ICN

ICNIV

0.45

Y

WisdomTree Dreyfus Japanese Yen Fund

JYF

JYFIV

0.35

Y

WisdomTree Dreyfus New Zealand Dollar Fund

BNZ

BNZIV

0.45

Y

WisdomTree Dreyfus South African Rand Fund

SZR

SZRIV

0.45

Y

PowerShares DB G10 Currency Harvest

DBV

FBV

0.81

Y

PowerShares DB US Dollar Index Bearish

UDN

UDNIV

0.80

Y

PowerShares DB US Dollar Index Bullish

UUP

UUPIV

0.80

Y

Leveraged Currency (200% Daily Returns)

ProShares Ultra Yen

YCL

YCLIV

0.95

Y

ProShares Ultra Euro

ULE

ULEIV

0.95

Y

Leveraged Inverse Currency (-200% Daily Returns)

ProShares UltraShort Yen

YCS

YCSIV

0.95

Y

ProShares UltraShort Euro

EUO

EUOIV

0.95

Y

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Currency The Ultimate Asset Class?

Fundamental investment tenants are premised on the practice of creating well-diversified portfolios in order to enhance returns and mitigate volatility.

Significant analysis is performed in order to determine the appropriate weightings within the various classes of equities, fixed income, and alternative assets to achieve a proper level of diversification and appropriate risk/reward parameters.

For most investors, however, very little consideration is given to the cash element of a portfolio.

Since  
most  
people  
only  
view  
the  
cash  
component  
of  
a  
portfolio  
as  
the  
ultimate  
safe  
haven,  
the scope of those holdings rarely ventures beyond U.S. dollars  
or U.S. dollar  
denominated fixed income instruments.

Currency  
is  
subject  
a  
number  
of  
risks

that  
could  
cause  
a  
decline  
in  
the  
price  
of  
a

foreign currency including national debt levels and trade deficits, domestic and foreign  
inflation rates, domestic and foreign interest rates, investment  
and trading activities of  
institutions and global or regional political, economic or financial events and  
situations.

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Why We Can't Afford to Ignore Currency

Currency affects every aspect of our lives from the goods and services we purchase to the returns we receive (currency has a significant impact on the returns of both domestic and international companies).

S&P

500

companies

derive

nearly

half

of

their

sales

from

outside

the

U.S.

Currencies impact business in a numerous ways including:

Translation

Exposure

the

conversion

of

foreign-earned

revenues

to

its

home

currency

Transaction

Exposure

Impact

of  
currency  
on  
prices  
paid  
or  
received  
for  
goods  
and  
services  
Economic  
Exposure

the  
effects  
on  
competitive  
advantage  
from  
the  
cost  
of  
goods  
sold,  
input costs, and balance sheet values

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Global Events Have Major Impact on Currency  
CBO: Obamacare Would Cost Over \$2 Trillion  
Fed Fires \$600 Billion Stimulus Shot  
Dollar Depreciation and the Cost of Living  
US Dollar Outlook for 2010 2011: Euro, Yen, Aussie and Loonie Rise To Record  
Levels Against Greenback  
Dollar to Become World's 'Weakest Currency,' Drop to 75 Yen JPMorgan Says  
Euro soars on Ireland bailout plan  
Canadian Dollar Reaches Parity Again  
The Aussie Dollar Races To Parity

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Currency as an Asset Class

The premise of holding only U.S. Dollars is outdated as more and goods and services are produced outside the U.S.

The massive volatility in the global currency markets has created periods where investors have lost the safe haven benefit of U.S. Dollars through the erosion of purchasing power.

The volatility has also created a tremendous amount of opportunity from an investment prospective.

In conclusion, further diversification<sup>1</sup>

within the cash-component of a well diversified

portfolio is worthy of consideration in order to insulate customers against a loss of purchasing power as well as enable them to benefit from the potential returns available in the currency market.

(1) Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

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Opportunities in Currency G-10 (5 Yr)  
Performance displayed represents past performance, which is no guarantee of future results.

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Opportunities in Currency G-10 (1 Yr)  
Performance displayed represents past performance, which is no guarantee of future results.

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Opportunities in Currency G-10 (6 Months)

Performance displayed represents past performance, which is no guarantee of future results.

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Currency Strategies

All investors can now take a page out of the institutional playbook and capitalize on strategies such as:

Interest  
Rate  
Capture

Consists  
of  
identifying  
currencies  
with  
higher  
yields,  
taking  
a  
long  
position in that currency and selling a call against that position in order to hedge the risk.  
Momentum  
Trade

Identify  
underperforming  
currencies  
via  
moving  
averages  
or  
other  
measurement and taking long positions.  
Mean  
Reversion  
Trade

Identifying  
and  
capitalizing  
on  
historical  
imbalances  
in  
purchasing power parity or some other benchmark.

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Important Disclosure

This information must be accompanied by a current prospectus.

The issuer has filed a registration statement (including a prospectus) with the SEC

for  
the  
offering

to  
which  
this  
communication  
relates.

Before

you  
invest,

you  
should

read the prospectus in that registration statement and other documents the issuer  
has filed with the SEC for more complete information about the issuer and this  
offering.

You  
may  
get  
these  
documents

for  
free  
by  
visiting

EDGAR

on  
the  
SEC

web  
site at [www.sec.gov](http://www.sec.gov)

or by visiting the Trust's web site at  
www.CurrencyShares.com. Alternatively, the issuer, any Authorized Participants  
or  
any  
dealer  
participating  
in  
the  
offering  
will  
arrange  
to  
send  
you  
the  
prospectus  
if  
you  
request  
it  
by  
calling  
toll  
free  
877.RYDEX34.  
Please  
read  
the  
prospectus  
carefully before investing.  
Rydex  
Specialized Products LLC, d/b/a  
Rydex  
SGI, is the sponsor of each of the  
CurrencyShares  
Trusts.  
Rydex  
Distributors,  
LLC,  
an  
affiliate  
of  
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SGI  
and  
Rydex  
Specialized Products LLC, is the distributor of the each of the CurrencyShares  
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Next  
Investments

is  
a  
leading  
developer  
of  
exchange  
traded  
funds  
and  
other  
novel  
financial instruments. Next Investments is providing product development support and  
consulting to Rydex  
SGI in connection with the registration of CurrencyShares.