From:	Nissar Vahora
To:	Rule-Comments
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Attachments:	Leveraged Index.xlsx

Debunking the Myth on the Dangers of Holding Leveraged ETFs:

I am an individual investor and I have been taking advantage of leveraged ETFs for some time. The simple reason is because they offer much greater returns than would be achieved otherwise by conventional non-leveraged trading products. My investing strategy is simple but effective and has much more juice BECAUSE of the fact that leverage is involved and I am able to take advantage of the underlying volatility. I understand one of the concerns of the SEC is that they are concerned regular investors like me might be slaughtered by leverage during bear markets or other crashes. Let me offer you a simple trading strategy that I have been utilizing with leveraged ETFs: I am sure everyone is aware of dollar cost averaging and the fact that many active mutual fund and hedge fund managers are unable to beat the S&P 500. My investing strategy has been to dollar cost average into the leveraged S&P 500 index every month over time. Since leveraged ETFs are hit worse when a bear market or crash happens, each month I am able to buy more and more shares than I otherwise would be able to do with a non-leveraged ETF, such as SPY. This may seem scary initially when the market is going down heavily, but if you are consistent and hold those shares for a long period of time, you will achieve much greater sums than with a non-leveraged ETF.

Let me illustrate this strategy during one of the worst trading periods for buy and hold investors (mid 2007 - early 2013), a period in which the S&P 500 was basically flat and had 0% return. If you simply saved $1000 every month and stuffed it underneath your mattress between July 2007 until March 2013, you would have $69,000 of cash by the end. If you placed $1000 every month in the SPY (I used the middle of the each month as an example), you would have approximately 30% positive return and $89, 896 worth of shares. This return is not surprising to most of you since we know that dollar cost averaging performs better during a bear market. Now, if you placed that $1000 every month (during the same day as SPY, in the middle of the month) into the SSO (a x2 leveraged S&P 500 ETF), at the end of the period you would have a 65% total return and $113, 887 worth of shares. This is the part that I think most people don't understand and is simply because of the fact that you are able to buy MANY more shares during the down periods and your ETF goes up MUCH more when the market recovers. This is something that is the basis of common sense investing (buying low, selling higher). If you take away these leveraged ETF products, then investors such as me and others that want to achieve better returns would not be able to do so.

I don't own a hedge fund, don't have connections with big brokerage firms and am not able to use leverage in other ways that I feel comfortable doing (e.g. using margin, etc). These leveraged ETFs are my only way to compete against the big boys in this industry and achieve returns that are more than conventional. I understand the risks involved and want to be able to take advantage of them. Please do not limit my ability to purchase x2 or x3 leveraged ETFs. For regular investors like me, this, in my opinion, is one of our best way to achieve better than conventional results.

Date	SSO	SPY
7/13/2007	19.96805112	6.457862448
8/17/2007	23.15618849	6.910372469
9/14/2007	22.07505519	6.715916723
10/19/2007	21.90580504	6.681365671
11/16/2007	23.27746741	6.859181014
12/14/2007	23.00966406	6.794863084
1/18/2008	29.81959147	7.572315614
2/15/2008	28.69852203	7.39973361
3/14/2008	31.49606299	7.715454054
4/18/2008	27.55200441	7.221259388
5/16/2008	26.0756193	7.007708479
6/13/2008	28.78526195	7.34484025
7/18/2008	33.66436627	7.933359778
8/15/2008	31.7510716	7.679901697
9/19/2008	34.94060098	8.056719304
10/17/2008	64.72491909	10.72846261
11/14/2008	78.6163522	11.5446779
12/19/2008	78.6163522	11.3391541
1/16/2009	85.61643836	11.75640724
2/13/2009	91.57509158	12.08313195
3/13/2009	110.619469	13.14233145
4/17/2009	84.88964346	11.48369316
5/15/2009	82.50825083	11.27268628
6/19/2009	76.2195122	10.86484137
7/17/2009	73.42143906	10.62360565
8/14/2009	64.14368185	9.921619208
9/18/2009	56.91519636	9.370314843
10/16/2009	54.97526113	9.183579759
11/13/2009	54.45140212	9.122422916
12/18/2009	53.41880342	9.073586789
1/15/2010	50.35246727	8.799718409
2/19/2010	52.85412262	8.997660608
3/19/2010	48.2509047	8.622919721
4/16/2010	45.75611988	8.378016086
5/14/2010	50.63291139	8.780402142
6/18/2010	52.61773218	8.950227783
7/16/2010	58.1733566	9.375585974
8/13/2010	56.60911407	9.232757825
9/17/2010	52.02913632	8.889679083
10/15/2010	47.81028877	8.49617672
11/12/2010	45.94321419	8.319605983
12/17/2010	42.62574595	8.045052293
1/14/2011	39.46329913	7.733952049
2/18/2011	36.49635036	7.431076763
3/18/2011	40.29008864	7.827175955
4/15/2011	37.85011355	7.568876779

5/13/2011		36.81885125		7.460459564
6/17/2011		40.68348251		7.872775941
7/15/2011		38.02281369		7.590708972
8/19/2011		53.02226935		8.874689386
9/16/2011		45.37205082		8.225037013
10/14/2011		45.04504505		8.15926893
11/18/2011		45.97701149		8.197393229
12/16/2011		45.93477262		8.225713581
1/13/2012		40.8496732		7.751337106
2/17/2012		36.6568915		7.330840847
3/16/2012		34.37607425		7.129108149
4/13/2012		36.17945007		7.292350325
5/18/2012		40.55150041		7.707723139
6/15/2012		37.70739065		7.486711088
7/13/2012		36.954915		7.366482505
8/17/2012		33.73819163		7.031359865
9/14/2012		31.50598614		6.791632709
10/19/2012		33.00330033		6.978367062
11/16/2012		36.60322108		7.33406674
12/14/2012		33.70407819		7.037050069
1/18/2013		30.62787136		6.741724533
2/15/2013		29.16302129		6.574189731
3/15/2013		27.6128676		6.417249567
		3144.75284		576.886493
$69,000	$	113,887.22	$	89,896.22
		65%		30%