

CURRENCYSHARES BRITISH POUND STERLING TRUST

Form FWP

December 07, 2010

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Making Currency Relevant

| December 2010

Filed Pursuant To Rule 433

Registration Nos. 333-163068, 333-164343, 333-168005, 333-169959,
333-164342, 333-159961, 333-150687, 333-159964, and 333-168006

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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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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

FXY

FXYIV

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 diversification¹

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)
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Opportunities in Currency G-10 (6 Months)

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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

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
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the
prospectus
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carefully before investing.
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Distributors,
LLC,
an
affiliate
of
Rydex
SGI
and
Rydex
Specialized Products LLC, is the distributor of the each of the CurrencyShares
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developer
of
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traded
funds
and
other
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financial instruments. Next Investments is providing product development support and
consulting to Rydex
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