GUGGENHEIM

12.31.2016

Rydex Variable Trust Funds Annual Report

Alternatives Fund
Guggenheim Long Short Equity Fund

TABLE OF CONTENTS

Dear Shareholder:

Security Investors, LLC (the "Investment Adviser") is pleased to present the annual shareholder report for the Long Short Equity Fund (the "Fund") that is part of the Rydex Variable Trust. This report covers performance of the Fund for the annual period ended December 31, 2016.

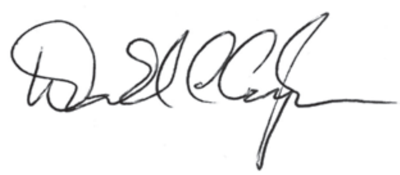
The Investment Adviser is a part of Guggenheim Investments, which represents the investment management businesses of Guggenheim Partners, LLC ("Guggenheim"), a global, diversified financial services firm.

Guggenheim Funds Distributors, LLC is the distributor of the Fund. Guggenheim Funds Distributors, LLC is affiliated with Guggenheim and the Investment Adviser.

We encourage you to read the Economic and Market Overview section of the report, which follows this letter, and then the Performance Report and Fund Profile for the Fund.

We are committed to providing innovative investment solutions and appreciate the trust you place in us.

Sincerely,



Donald C. Cacciapaglia
President
January 31, 2017

Read a prospectus and summary prospectus (if available) carefully before investing. It contains the 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 or call 800.820.0888.

The Long Short Equity Fund may not be suitable for all investors. • The Fund is subject to the risk that the Advisor's use of a momentum-driven investment strategy may cause the Fund to underperform other types of mutual funds that use different investment strategies during periods when momentum investing is out of favor. • It is possible that the stocks the Fund holds long will decline in value at the same time that the stocks or indices being shorted increase in value, thereby increasing potential losses to the Fund. • The Fund's loss on a short sale is potentially unlimited because there is no upper limit on the price a borrowed security could attain. • The more the Fund invests in leveraged instruments, the more the leverage will magnify any gains or losses on those investments. • The use of derivatives, such as futures, options and swap agreements, may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. • The Fund may invest in American Depositary Receipts ("ADRs") therefore subjecting the value of the Fund's portfolio to fluctuations in foreign exchange rates. • This Fund is considered non-diversified and can invest a greater portion of its 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. See the prospectus for more information on these and additional risks.

Behind the performance numbers for the past 12 months are a multitude of events that unfolded throughout 2016, including an increase in U.S. corporate defaults, several quarters of negative earnings growth, stubbornly low inflation across the globe, the British vote to exit the European Union, and a U.S. presidential election outcome that defied investor expectations and polling trends. That was on top of one of the worst selloffs for U.S. corporate bonds since the financial crisis in the first six weeks of the year, and one of the worst selloffs in government bonds since 2013's taper tantrum in the fourth quarter, and the Standard & Poor's 500® ("S&P 500") Index* falling almost 11% early in the year. Nevertheless, or perhaps because of all the pre-election turmoil, between election day and the end of December, the S&P 500 rallied 4.6%, high-yield spreads tightened 83 basis points, and 10-year Treasury yields rose 57 basis points.

The market reaction to the outcome of the U.S. presidential election set the stage for the U.S. Federal Reserve (the "Fed") to hike in December. As widely expected, the Fed raised target interest rates by 25 basis points from a range of 0.25–0.50% to 0.50–0.75%. More importantly, the Federal Open Market Committee ("FOMC") now projects three rate increases in 2017, up from two in September.

The upward shift appears to reflect the view that there may be less room for accommodative policy to continue in light of recent labor market data. We believe the participation rate introduces meaningful uncertainty to the pace of Fed tightening. In 2016, a rising participation rate helped keep the Fed at bay for most of the year as it stabilized the unemployment rate slightly above what the Fed considers full employment. However, the participation trend reversed in October and November, causing the unemployment rate to decline to only 4.7% by December.

Early indications that fiscal spending (and/or tax cuts) will be prioritized in the new administration suggest that the risks to real Gross Domestic Product ("GDP") growth in 2017 and 2018 are now skewed to the upside. U.S. real GDP grew by 3.5% in the third quarter, up from 1.4% in the second quarter. We expect output to rise by around 2% on average in coming quarters, a bit faster than the trend rate over the past year, as drags from past dollar strength and an inventory adjustment cycle fade.

A post-election rise in consumer confidence, along with continued income growth and healthier household balance sheets, bodes well for consumption in the coming quarters. The trend rate of job growth should slow as we near full employment. Even so, the unemployment rate should continue to fall toward 4.0% as employment growth outstrips labor force growth. A tighter labor market will begin to put more upward pressure on wage growth, which is being held back by meager productivity gains. An improving labor market, low borrowing costs, and rising household formation will continue to bolster housing, as evidenced by housing starts at cyclical highs. Key inflation measures will rise over the next year due to energy price base effects and reductions in labor market slack.

Given our view that the Fed will raise rates three, possibly four, times in 2017, the effects of monetary policy divergence will be important to watch as two major central banks, the European Central Bank ("ECB") and the Bank of Japan ("BOJ"), continue their purchase programs. In December, the ECB committed to extend its asset-purchase program through the end of 2017, albeit at a reduced monthly pace of €60 billion (from €80 billion currently) beginning in April. The ECB also changed its criteria for asset purchases, allowing the purchase of sovereign bonds with yields lower than the -0.40% deposit rate. In our view, the extension of the program to at least the end of 2017 makes it highly likely that the ECB will continue to buy assets well into 2018. The growing gap in policy rates and global yields could drive further U.S. dollar appreciation, which would weigh on oil prices and stem the recovery in the energy market. Currently, our oil model projects oil prices will remain below $60 per barrel through the end of 2017.

For the year ended December 31, 2016, the S&P 500 Index returned 11.96%. The MSCI Europe-Australasia-Far East ("EAFE") Index* returned 1.00%. The return of the MSCI Emerging Markets Index* was 11.19%.

In the bond market, the Bloomberg Barclays U.S. Aggregate Bond Index* posted a 2.65% return for the year, while the Bloomberg Barclays U.S. Corporate High Yield Index* returned 17.13%. The return of the Bank of America ("BofA") Merrill Lynch 3-Month U.S. Treasury Bill Index* was 0.33% for the 12-month period.

The opinions and forecasts expressed may not actually come to pass. This information is subject to change at any time, based on market and other conditions, and should not be construed as a recommendation of any specific security or strategy.

*Index Definitions:

The following indices are referenced throughout this report. Indices are unmanaged and not available for direct investment. Index performance does not reflect transaction costs, fees, or expenses.

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including U.S. Treasuries, government-related and corporate securities, mortgage-backed securities or "MBS" (agency fixed-rate and hybrid adjustable-rate mortgage, or "ARM", pass-throughs), asset-backed securities ("ABS"), and commercial mortgage-backed securities ("CMBS") (agency and non-agency).

Bloomberg Barclays U.S. Corporate High Yield Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB +/BB + or below.

BofA Merrill Lynch 3-Month U.S. Treasury Bill Index is an unmanaged market index of U.S. Treasury securities maturing in 90 days that assumes reinvestment of all income.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market performance in the global emerging markets.

S&P 500® Index is a capitalization-weighted index of 500 stocks designed to measure the performance of the broad economy, representing all major industries and is considered a representation of the U.S. stock market.

HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including, but not limited to, convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative-value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.

HFRX Equity Hedge Fund Index is designed to be representative of the overall composition of the equity hedge segment of the hedge fund universe. In an equity hedge strategy both long and short positions primarily in equities are maintained. Equities which are believed to be undervalued are bought and equities which are believed to be overvalued are sold.

Russell 3000® Index measures the performance of 3,000 publicly held U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

All mutual funds have operating expenses, and it is important for our shareholders to understand the impact of costs on their investments. Shareholders of a fund incur two types of costs: (i) transaction costs, including sales charges (loads) on purchase payments, reinvested dividends, other distributions, and exchange fees, and (ii) ongoing costs, including management fees, administrative services, and shareholder reports, among others. These ongoing costs, or operating expenses, are deducted from a fund's gross income and reduce the investment return of the fund.

A fund's expenses are expressed as a percentage of its average net assets, which is known as the expense ratio. The following examples are intended to help investors understand the ongoing costs (in dollars) of investing in a fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The examples are based on an investment of $1,000 made at the beginning of the period and held for the entire six-month period beginning June 30, 2016 and ending December 31, 2016.

The following tables illustrate the Fund's costs in two ways:

Table 1. Based on actual Fund return: This section helps investors estimate the actual expenses paid over the period. The "Ending Account Value" shown is derived from the Fund's actual return, and the fifth column shows the dollar amount that would have been paid by an investor who started with $1,000 in the Fund. Investors may use the information here, together with the amount invested, to estimate the expenses paid over the period. Simply divide the Fund's account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number provided under the heading "Expenses Paid During Period."

Table 2. Based on hypothetical 5% return: This section is intended to help investors compare a Fund's cost with those of other mutual funds. The table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses paid during the period. The example is useful in making comparisons because the U.S. Securities and Exchange Commission (the "SEC") requires all mutual funds to calculate expenses based on the 5% return. Investors can assess a Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The calculations illustrated above assume no shares were bought or sold during the period. Actual costs may have been higher or lower, depending on the amount of investment and the timing of any purchases or redemptions.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads) on purchase payments, and contingent deferred sales charges ("CDSC") on redemptions, if any. Therefore, the second table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

More information about the Fund's expenses, including annual expense ratios for periods up to five years (subject to the Fund's inception date), can be found in the Financial Highlights section of this report. For additional information on operating expenses and other shareholder costs, please refer to the appropriate Fund prospectus.

	Expense Ratio[1]	Fund Return	Beginning Account Value June 30, 2016	Ending Account Value December 31, 2016	Expenses Paid During Period[2]
Table 1. Based on actual Fund return[3]					
Long Short Equity Fund	2.07%	1.72%	$ 1,000.00	$ 1,017.20	$ 10.52
Table 2. Based on hypothetical 5% return (before expenses)					
Long Short Equity Fund	2.07%	5.00%	$ 1,000.00	$ 1,014.77	$ 10.51

[1] Annualized and excludes expenses of the underlying funds in which the Fund invests. This ratio represents net expenses, which includes dividends on short sales and prime broker interest expenses. Excluding these expenses, the operating expense ratio of the Long Short Equity Fund would be 1.56%.

[2] Expenses are equal to the Fund's annualized expense ratio, net of any applicable fee waivers, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period). Expenses shown do not include fees charged by insurance companies.

[3] Actual cumulative return at net asset value for the period June 30, 2016 to December 31, 2016.

LONG SHORT EQUITY FUND

OBJECTIVE: Seeks long-term capital appreciation.

For the one-year period ended December 31, 2016, the Long Short Equity Fund returned 0.65%, while the Fund's benchmark, the HFRX Equity Hedge Fund Index, returned 0.10%.

The annualized risk for the Fund was 6.63%, which was slightly higher than the 6.27% annualized risk of the HFRX Equity Hedge Fund Index. On a risk-adjusted basis, the Fund produced 0.70% of alpha relative to the HFRX Equity Hedge Fund Index, as the realized beta for the year was 0.60.

On a gross return basis, an average net equity beta of 47.2% for the year was the greatest positive contributor at 6.49%. Risk factors detracted -0.94% from Fund gross performance; average net long allocations to Dividend Yield and Earnings/Price factors contributed 0.54% and 0.48%, respectively, while average net long allocations to Relative Strength and the Log of Market Capitalization factors detracted -0.75% and -0.81%, respectively. Stock-specific risk detracted -2.32% on a gross basis for the year.

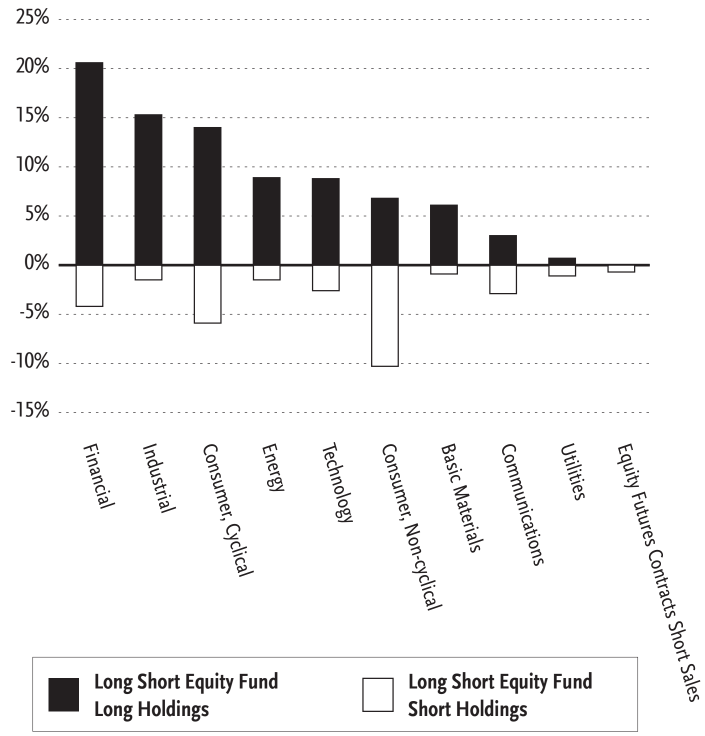
Industry factors added 0.14% to fund gross performance. Average net long allocations to companies in the Regional Banks and Electronics industries contributed 0.96% and 0.57%, respectively. Average net short allocations to Oil Extraction companies detracted -0.48%, while average net long allocations to Precious Metals companies detracted -0.67%.

The Fund invests in equity securities, including small-, mid-, and large-capitalization securities, such as U.S. traded common stocks and American Depositary Receipts ("ADRs"), but also may invest in derivative instruments which primarily consist of equity index swaps, futures contracts, and options on securities, futures contracts, and stock indices. For the period, S&P 500 futures were used within the fund only to manage shareholder cash flows and are not part of the investment strategy.

For the year, the Fund's average long exposure was 85.3% of Fund assets, while its corresponding short exposure was -40.2%.

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

Holdings Diversification (Market Exposure as % of Net Assets)



"Holdings Diversification (Market Exposure as % of Net Assets)" excludes any temporary cash investments or investments in Guggenheim Strategy Funds Trust mutual funds. Investments in those Funds do not provide "market exposure" to meet the Fund's investment objective, but will significantly increase the portfolio's exposure to certain other asset categories (and their associated risks), which may cause the Fund to deviate from its principal investment strategy, including: (i) high yield, high risk debt securities rated below the top four long-term rating categories by a nationally recognized statistical rating organization (also known as "junk bonds"); (ii) securities issued by the U.S. government or its agencies and instrumentalities; (iii) CLOs and similar investments; and (iv) other short-term fixed income securities.

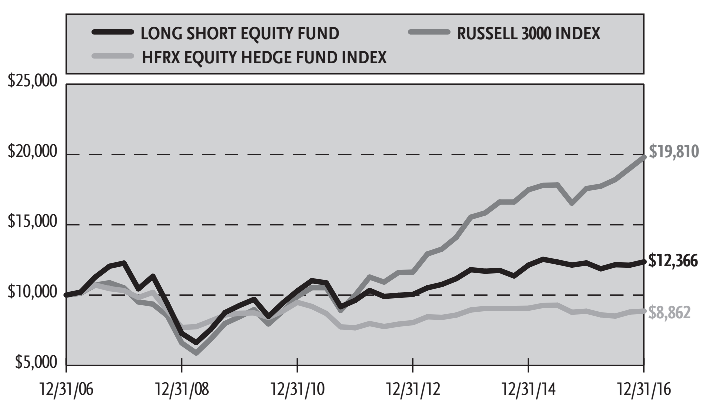
Inception Date: May 1, 2002

Ten Largest Holdings (% of Total Net Assets)

Guggenheim Strategy Fund I	2.6%
White Mountains Insurance Group Ltd.	0.6%
Cypress Semiconductor Corp.	0.6%
Huntington Ingalls Industries, Inc.	0.5%
McDonald's Corp.	0.5%
Marathon Petroleum Corp.	0.5%
United States Cellular Corp.	0.5%
IDEXX Laboratories, Inc.	0.5%
Phillips 66	0.5%
JetBlue Airways Corp.	0.5%
Top Ten Total	7.3%

"Ten Largest Holdings" excludes any temporary cash or derivative investments.

Cumulative Fund Performance*,†



Average Annual Returns*,†

Periods Ended December 31, 2016

	1 Year	5 Year	10 Year
Long Short Equity Fund	0.65%	5.15%	2.15%
Russell 3000 Index	12.74%	14.67%	7.07%
HFRX Equity Hedge Index	0.10%	2.92%	-1.20%

* The performance data above represents past performance that is not predictive of future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns are historical and include changes in principal and reinvested dividends and capital gains and do not reflect the effect of taxes. The HFRX Equity Hedge Index and Russell 3000 Index are unmanaged indices and, unlike the Fund, have no management fees or operating expenses to reduce their reported returns.

† Returns do not reflect the impact of any additional fees charged by insurance companies.

	Shares	Value
COMMON STOCKS† - 84.2%		
FINANCIAL - 20.6%		
White Mountains Insurance Group Ltd.[1]	224	$ 187,277
TCF Financial Corp.[1]	8,550	167,495
Old Republic International Corp.[1]	8,790	167,010
Mercury General Corp.[1]	2,772	166,902
AmTrust Financial Services, Inc.[1]	6,076	166,361
Cullen/Frost Bankers, Inc.[1]	1,881	165,961
Assurant, Inc.[1]	1,779	165,198
Everest Re Group Ltd.[1]	760	164,464
Reinsurance Group of America, Inc. — Class A[1]	1,302	163,831
Aspen Insurance Holdings Ltd.[1]	2,972	163,460
Associated Banc-Corp.[1]	6,617	163,440
PacWest Bancorp[1]	2,999	163,265
Commerce Bancshares, Inc.[1]	2,818	162,923
Host Hotels & Resorts, Inc.[1]	8,597	161,967
East West Bancorp, Inc.[1]	3,179	161,589
Popular, Inc.[1]	3,681	161,302
Synovus Financial Corp.[1]	3,922	161,116
CIT Group, Inc.	3,768	160,818
BB&T Corp.[1]	3,402	159,962
Regions Financial Corp.[1]	11,124	159,741
American National Insurance Co.[1]	1,276	159,002
Assured Guaranty Ltd.[1]	4,209	158,974
Starwood Property Trust, Inc.[1]	7,224	158,566
MFA Financial, Inc.[1]	20,685	157,827
BOK Financial Corp.[1]	1,898	157,610
Two Harbors Investment Corp.[1]	18,000	156,960
First Horizon National Corp.[1]	7,811	156,298
Chimera Investment Corp.[1]	9,181	156,261
Artisan Partners Asset Management, Inc. — Class A[1]	5,250	156,187
Voya Financial, Inc.[1]	3,941	154,566
ProAssurance Corp.[1]	2,709	152,246
Interactive Brokers Group, Inc. — Class A[1]	4,160	151,882
Air Lease Corp. — Class A[1]	4,364	149,816
Lazard Ltd. — Class A[1]	3,645	149,773
AGNC Investment Corp.[1]	8,246	149,500
Axis Capital Holdings Ltd.[1]	2,168	141,505
CNA Financial Corp.[1]	3,282	136,203
Federated Investors, Inc. — Class B[1]	4,607	130,286
Equity Residential[1]	1,751	112,694
Bank of Hawaii Corp.[1]	1,125	99,776
Prudential Financial, Inc.[1]	822	85,537
First American Financial Corp.[1]	2,306	84,469
Mastercard, Inc. — Class A[1]	625	64,531
Citigroup, Inc.[1]	1,050	62,402
Genworth Financial, Inc. — Class A*	7,662	29,192
Validus Holdings Ltd.[1]	213	11,717
Total Financial		6,577,862
INDUSTRIAL - 15.3%		
Huntington Ingalls Industries, Inc.	944	173,875
Timken Co.[1]	4,090	162,373
HEICO Corp. — Class A[1]	2,391	162,349
United Technologies Corp.[1]	1,478	$ 162,018
Sonoco Products Co.[1]	3,044	160,419
Snap-on, Inc.[1]	936	160,308
Cummins, Inc.[1]	1,164	159,084
Martin Marietta Materials, Inc.[1]	712	157,730
AGCO Corp.[1]	2,698	156,106
Parker-Hannifin Corp.[1]	1,109	155,260
Spirit AeroSystems Holdings, Inc. — Class A[1]	2,640	154,044
USG Corp.*,[1]	5,320	153,641
Owens Corning[1]	2,973	153,288
Vulcan Materials Co.[1]	1,221	152,808
Stanley Black & Decker, Inc.[1]	1,327	152,194
Wabtec Corp.[1]	1,824	151,428
Eagle Materials, Inc.[1]	1,533	151,046
ITT, Inc.[1]	3,905	150,616
Crane Co.[1]	2,082	150,154
Raytheon Co.[1]	1,055	149,810
Valmont Industries, Inc.[1]	1,059	149,213
Trinity Industries, Inc.[1]	5,319	147,655
Oshkosh Corp.[1]	2,268	146,536
Arconic, Inc.[1]	7,866	145,836
Northrop Grumman Corp.[1]	622	144,665
Terex Corp.[1]	4,306	135,768
BWX Technologies, Inc.[1]	3,340	132,598
Orbital ATK, Inc.[1]	1,425	125,015
Lincoln Electric Holdings, Inc.[1]	1,611	123,515
SunPower Corp. — Class A*,[1,2]	17,570	116,138
L-3 Communications Holdings, Inc.[1]	663	100,849
Ingersoll-Rand plc[1]	1,293	97,027
Expeditors International of Washington, Inc.[1]	1,440	76,262
Stericycle, Inc.*,[1]	738	56,856
General Dynamics Corp.[1]	165	28,489
Donaldson Company, Inc.[1]	293	12,329
Total Industrial		4,867,302
CONSUMER, CYCLICAL - 14.0%		
McDonald's Corp.[1]	1,408	171,381
JetBlue Airways Corp.*,[1]	7,500	168,149
Alaska Air Group, Inc.[1]	1,895	168,143
Royal Caribbean Cruises Ltd.[1]	2,033	166,787
World Fuel Services Corp.[1]	3,605	165,506
Choice Hotels International, Inc.[1]	2,920	163,666
Spirit Airlines, Inc.*,[1]	2,786	161,198
GameStop Corp. — Class A	6,361	160,679
MSC Industrial Direct Company, Inc. — Class A[1]	1,731	159,927
Delta Air Lines, Inc.[1]	3,250	159,868
Carnival Corp.[1]	3,055	159,043
General Motors Co.[1]	4,528	157,756
Hyatt Hotels Corp. — Class A*,[1]	2,835	156,661
Copa Holdings S.A. — Class A[1]	1,724	156,591
WW Grainger, Inc.[1]	671	155,839
Extended Stay America, Inc.[1]	9,602	155,072
Fastenal Co.[1]	3,286	154,376

	Shares	Value
Darden Restaurants, Inc.[1]	2,105	$ 153,075
Watsco, Inc.[1]	1,029	152,415
Brinker International, Inc.[1]	3,011	149,135
Bed Bath & Beyond, Inc.[1]	3,451	140,249
Las Vegas Sands Corp.[1]	2,591	138,385
Six Flags Entertainment Corp.[1]	2,260	135,510
Chipotle Mexican Grill, Inc. — Class A*[,1]	331	124,893
Yum! Brands, Inc.[1]	1,928	122,100
PACCAR, Inc.[1]	1,865	119,174
HD Supply Holdings, Inc.*[,1]	2,411	102,492
The Gap, Inc.[1]	3,978	89,266
Southwest Airlines Co.[1]	1,649	82,186
Penske Automotive Group, Inc.[1]	1,500	77,760
Best Buy Co., Inc.[1]	1,275	54,404
United Continental Holdings, Inc.*[,1]	353	25,727
Nu Skin Enterprises, Inc. — Class A	328	15,672
Wynn Resorts Ltd.[1]	174	15,053
WESCO International, Inc.*[,1]	202	13,443
Yum China Holdings, Inc.*[,1]	347	9,064
Total Consumer, Cyclical		4,460,645
ENERGY - 8.9%		
Marathon Petroleum Corp.[1]	3,400	171,191
Phillips 66[1]	1,954	168,845
Valero Energy Corp.[1]	2,459	167,999
HollyFrontier Corp.[1]	5,109	167,371
Chevron Corp.[1]	1,421	167,251
Targa Resources Corp.[1]	2,946	165,182
Exxon Mobil Corp.[1]	1,823	164,544
ONEOK, Inc.[1]	2,830	162,470
Frank's International N.V.[1,2]	12,697	156,300
First Solar, Inc.*[,1,2]	4,369	140,201
Kinder Morgan, Inc.[1]	6,680	138,343
Noble Corporation plc[1]	23,255	137,670
Pioneer Natural Resources Co.[1]	732	131,812
Occidental Petroleum Corp.[1]	1,772	126,220
Rice Energy, Inc.*[,1]	5,904	126,050
PBF Energy, Inc. — Class A[1]	4,157	115,897
Marathon Oil Corp.[1]	5,343	92,487
Murphy Oil Corp.[1]	2,428	75,584
Kosmos Energy Ltd.*[,1]	10,071	70,598
Dril-Quip, Inc.*[,1]	1,169	70,198
Rowan Companies plc — Class A*[,1]	3,341	63,111
Murphy USA, Inc.*[,1]	621	38,173
Hess Corp.[1]	400	24,916
Total Energy		2,842,413
TECHNOLOGY - 8.8%		
Cypress Semiconductor Corp.[1]	15,621	178,705
Apple, Inc.[1]	1,408	163,075
NCR Corp.*[,1]	4,020	163,051
Applied Materials, Inc.[1]	5,031	162,351
CommerceHub, Inc.*[,1]	10,705	160,896
DST Systems, Inc.[1]	1,500	160,725
QUALCOMM, Inc.[1]	2,412	157,262
Skyworks Solutions, Inc.[1]	2,100	156,785
Marvell Technology Group Ltd.[1]	11,300	156,731

	Shares	Value
Maxim Integrated Products, Inc.[1]	4,048	$ 156,131
NetApp, Inc.[1]	4,416	155,752
CommerceHub, Inc.*[,1]	10,355	155,429
Hewlett Packard Enterprise Co.[1]	6,676	154,483
HP, Inc.[1]	10,156	150,715
Xilinx, Inc.[1]	2,090	126,173
NVIDIA Corp.[1]	1,100	117,414
Intel Corp.[1]	2,339	84,836
Broadcom Ltd.[1]	474	83,789
Teradyne, Inc.[1]	2,661	67,589
ON Semiconductor Corp.*[,1]	3,811	48,628
Paychex, Inc.[1]	752	45,782
Total Technology		2,806,302
CONSUMER, NON-CYCLICAL - 6.8%		
IDEXX Laboratories, Inc.*[,1]	1,442	169,103
Archer-Daniels-Midland Co.[1]	3,531	161,190
West Pharmaceutical Services, Inc.[1]	1,900	161,178
ResMed, Inc.[1]	2,594	160,958
Quintiles IMS Holdings, Inc.*[,1]	2,110	160,466
Macquarie Infrastructure Corp.[1]	1,945	158,907
Cooper Companies, Inc.[1]	900	157,437
Herc Holdings, Inc.*[,1]	3,782	151,885
Patheon N.V.*[,1]	5,209	149,551
Pilgrim's Pride Corp.	7,856	149,185
Align Technology, Inc.*[,1]	1,400	134,582
ABIOMED, Inc.*[,1]	1,162	130,934
Baxter International, Inc.[1]	2,704	119,895
DENTSPLY SIRONA, Inc.[1]	1,834	105,877
VWR Corp.*[,1]	3,374	84,452
Total Consumer, Non-cyclical		2,155,600
BASIC MATERIALS - 6.1%		
Newmont Mining Corp.[1]	4,810	163,877
Compass Minerals International, Inc.[1,2]	2,067	161,949
LyondellBasell Industries N.V. — Class A[1]	1,852	158,864
Huntsman Corp.[1]	7,961	151,896
Reliance Steel & Aluminum Co.[1]	1,900	151,126
Tahoe Resources, Inc.[1]	16,028	150,984
Southern Copper Corp.[2]	4,621	147,595
Steel Dynamics, Inc.[1]	4,104	146,020
Nucor Corp.[1]	2,449	145,764
United States Steel Corp.[1,2]	4,380	144,584
Royal Gold, Inc.[1]	2,278	144,311
Alcoa Corp.[1]	5,094	143,040
Freeport-McMoRan, Inc.*[,1]	9,994	131,821
Total Basic Materials		1,941,831
COMMUNICATIONS - 3.0%		
United States Cellular Corp.*[,1]	3,900	170,508
F5 Networks, Inc.*[,1]	1,146	165,849
Sprint Corp.*[,1]	19,400	163,349
Telephone & Data Systems, Inc.[1]	5,601	161,701
T-Mobile US, Inc.*[,1]	2,810	161,603
Motorola Solutions, Inc.[1]	1,579	130,883
Total Communications		953,893

	Shares	Value
UTILITIES - 0.7%		
NiSource, Inc.[1]	7,182	$ 159,009
SCANA Corp.[1]	633	46,386
Public Service Enterprise Group, Inc.[1]	265	11,628
Total Utilities		217,023
Total Common Stocks		
(Cost $24,906,421)		26,822,871
MUTUAL FUNDS† - 2.6%		
Guggenheim Strategy Fund I[3]	32,635	815,870
Guggenheim Strategy Fund II[3]	453	11,306
Total Mutual Funds		
(Cost $826,000)		827,176

	Face Amount	Value
REPURCHASE AGREEMENT††,4 - 15.0%		
Royal Bank of Canada		
issued 12/30/16 at 0.24%		
due 01/03/17	$ 4,794,471	4,794,471
Total Repurchase Agreement		
(Cost $4,794,471)		4,794,471

	Shares	Value
SECURITIES LENDING COLLATERAL†,5 - 1.2%		
First American Government Obligations Fund - Class Z, 0.42%[6]	374,152	374,152
Total Securities Lending Collateral		
(Cost $374,152)		374,152
Total Investments - 103.0%		
(Cost $30,901,044)		$ 32,818,670
COMMON STOCKS SOLD SHORT† - (30.9)%		
BASIC MATERIALS - (0.8)%		
Sherwin-Williams Co.	128	(34,399)
International Flavors & Fragrances, Inc.	645	(76,000)
Praxair, Inc.	670	(78,517)
NewMarket Corp.	193	(81,801)
Total Basic Materials		(270,717)
UTILITIES - (1.1)%		
NextEra Energy, Inc.	204	(24,370)
AES Corp.	6,736	(78,272)
Calpine Corp.*	6,895	(78,810)
Eversource Energy	1,441	(79,586)
NRG Energy, Inc.	6,730	(82,509)
Total Utilities		(343,547)
INDUSTRIAL - (1.5)%		
Zebra Technologies Corp. — Class A*	186	(15,951)
SBA Communications Corp. — Class A*	290	(29,945)
AECOM*	1,490	$ (54,176)
3M Co.	408	(72,857)
Ball Corp.	1,020	(76,571)
Sealed Air Corp.	1,718	(77,894)
AMETEK, Inc.	1,618	(78,635)
Hubbell, Inc.	700	(81,690)
Total Industrial		(487,719)
ENERGY - (1.5)%		
Ensco plc — Class A	2,418	(23,503)
Newfield Exploration Co.*	799	(32,360)
Halliburton Co.	1,119	(60,527)
Southwestern Energy Co.*	6,429	(69,562)
Diamond Offshore Drilling, Inc.*	4,174	(73,880)
Weatherford International plc*	15,139	(75,544)
National Oilwell Varco, Inc.	2,031	(76,040)
Schlumberger Ltd.	951	(79,836)
Total Energy		(491,252)
TECHNOLOGY - (2.6)%		
Fortinet, Inc.*	510	(15,361)
Tableau Software, Inc. — Class A*	406	(17,113)
Splunk, Inc.*	499	(25,524)
Cerner Corp.*	1,447	(68,544)
Workday, Inc. — Class A*	1,089	(71,972)
ServiceNow, Inc.*	1,005	(74,712)
Veeva Systems, Inc. — Class A*	1,845	(75,092)
Allscripts Healthcare Solutions, Inc.*	7,544	(77,024)
salesforce.com, Inc.*	1,134	(77,633)
Autodesk, Inc.*	1,049	(77,636)
Oracle Corp.	2,029	(78,015)
SS&C Technologies Holdings, Inc.	2,765	(79,079)
athenahealth, Inc.*	853	(89,711)
Total Technology		(827,416)
COMMUNICATIONS - (2.9)%		
Groupon, Inc. — Class A*	1,217	(4,040)
DISH Network Corp. — Class A*	329	(19,059)
Alphabet, Inc. — Class A*	51	(40,415)
Thomson Reuters Corp.	960	(42,029)
CommScope Holding Company, Inc.*	1,476	(54,907)
Twitter, Inc.*	4,352	(70,938)
FireEye, Inc.*	6,066	(72,185)
Expedia, Inc.	647	(73,292)
Priceline Group, Inc.*	50	(73,303)
TripAdvisor, Inc.*	1,662	(77,068)
Amazon.com, Inc.*	104	(77,986)
CDW Corp.	1,500	(78,135)
Netflix, Inc.*	642	(79,480)
Comcast Corp. — Class A	1,164	(80,374)
Verizon Communications, Inc.	1,589	(84,821)
Total Communications		(928,032)
FINANCIAL - (4.2)%		
Crown Castle International Corp.	204	(17,701)
OneMain Holdings, Inc.*	2,808	(62,169)
LendingClub Corp.*	13,292	(69,783)

LONG SHORT EQUITY FUND

	Shares	Value
Navient Corp.	4,705	$ (77,303)
Santander Consumer USA Holdings, Inc.*	5,730	(77,355)
American Tower Corp. — Class A	733	(77,463)
Ally Financial, Inc.	4,076	(77,526)
Howard Hughes Corp.*	685	(78,159)
Simon Property Group, Inc.	442	(78,530)
Bank of New York Mellon Corp.	1,670	(79,125)
Jones Lang LaSalle, Inc.	785	(79,316)
CBRE Group, Inc. — Class A*	2,526	(79,544)
TFS Financial Corp.	4,229	(80,520)
Realogy Holdings Corp.	3,148	(80,998)
Synchrony Financial	2,245	(81,426)
American Express Co.	1,105	(81,858)
Discover Financial Services	1,174	(84,634)
Equinix, Inc.	243	(86,851)
Total Financial		(1,350,261)
CONSUMER, CYCLICAL - (5.9)%		
DR Horton, Inc.	1,234	(33,725)
Foot Locker, Inc.	635	(45,015)
J.C. Penney Company, Inc.*	7,996	(66,447)
PVH Corp.	747	(67,409)
Macy's, Inc.	1,890	(67,681)
Michael Kors Holdings Ltd.*	1,611	(69,241)
Tupperware Brands Corp.	1,348	(70,932)
Hanesbrands, Inc.	3,312	(71,440)
Skechers U.S.A., Inc. — Class A*	3,019	(74,207)
Hasbro, Inc.	955	(74,289)
Carter's, Inc.	861	(74,381)
Target Corp.	1,043	(75,336)
Advance Auto Parts, Inc.	459	(77,626)
Toll Brothers, Inc.*	2,507	(77,717)
TJX Companies, Inc.	1,036	(77,834)
Ross Stores, Inc.	1,193	(78,261)
Newell Brands, Inc.	1,753	(78,271)
NIKE, Inc. — Class B	1,583	(80,464)
Goodyear Tire & Rubber Co.	2,668	(82,361)
Home Depot, Inc.	624	(83,666)
Scotts Miracle-Gro Co. — Class A	886	(84,657)
Tempur Sealy International, Inc.*	1,287	(87,876)
lululemon athletica, Inc.*	1,399	(90,921)
NVR, Inc.*	55	(91,795)
Kate Spade & Co.*	5,048	(94,248)
Total Consumer, Cyclical		(1,875,800)
CONSUMER, NON-CYCLICAL - (10.4)%		
McKesson Corp.	63	(8,848)
Mallinckrodt plc*	252	(12,555)
Alexion Pharmaceuticals, Inc.*	240	(29,364)
Danaher Corp.	463	(36,040)
Tyson Foods, Inc. — Class A	611	(37,686)
PepsiCo, Inc.	379	(39,655)
Spectrum Brands Holdings, Inc.	496	(60,676)
Acadia Healthcare Company, Inc.*	1,839	(60,871)
Universal Health Services, Inc. — Class B	632	(67,232)
RR Donnelley & Sons Co.	4,203	(68,593)
Regeneron Pharmaceuticals, Inc.*	190	(69,747)

	Shares	Value
Biogen, Inc.*	250	$ (70,895)
Express Scripts Holding Co.*	1,040	(71,542)
Bristol-Myers Squibb Co.	1,233	(72,057)
Gilead Sciences, Inc.	1,022	(73,185)
Edgewell Personal Care Co.*	1,016	(74,158)
Brown-Forman Corp. — Class B	1,656	(74,388)
Merck & Company, Inc.	1,264	(74,412)
Incyte Corp.*	750	(75,203)
Allergan plc*	361	(75,814)
Eli Lilly & Co.	1,035	(76,124)
Henry Schein, Inc.*	503	(76,310)
Tenet Healthcare Corp.*	5,190	(77,020)
Celgene Corp.*	673	(77,900)
Thermo Fisher Scientific, Inc.	557	(78,593)
Amgen, Inc.	538	(78,660)
ServiceMaster Global Holdings, Inc.*	2,094	(78,881)
Perrigo Company plc	948	(78,902)
AmerisourceBergen Corp. — Class A	1,018	(79,598)
MEDNAX, Inc.*	1,197	(79,792)
Centene Corp.*	1,414	(79,905)
DaVita, Inc.*	1,245	(79,929)
AbbVie, Inc.	1,290	(80,780)
Ecolab, Inc.	690	(80,882)
H&R Block, Inc.	3,526	(81,063)
UnitedHealth Group, Inc.	509	(81,461)
Pfizer, Inc.	2,520	(81,850)
Johnson & Johnson	714	(82,260)
Endo International plc*	5,049	(83,157)
Graham Holdings Co. — Class B	163	(83,448)
Brookdale Senior Living, Inc. — Class A*	6,752	(83,860)
Mylan N.V.*	2,233	(85,189)
Zoetis, Inc.	1,594	(85,326)
Service Corporation International	3,015	(85,626)
VCA, Inc.*	1,268	(87,048)
Akorn, Inc.*	4,228	(92,296)
Total Consumer, Non-cyclical		(3,268,781)
Total Common Stocks Sold Short (Proceeds $9,934,509)		(9,843,525)
Total Securities Sold Short- (30.9)% (Proceeds $9,934,509)		$ (9,843,525)
Other Assets & Liabilities, net - 27.9%		8,911,548
Total Net Assets - 100.0%		$ 31,886,693

	Contracts	Unrealized Gain
EQUITY FUTURES CONTRACTS SOLD SHORT†		
March 2017 S&P 500 Index Mini Futures Contracts (Aggregate Value of Contracts $223,600)	2	$ 1,842

* Non-income producing security.
† Value determined based on Level 1 inputs — See Note 4.
†† Value determined based on Level 2 inputs — See Note 4.
[1] All or a portion of this security is pledged as short security collateral at December 31, 2016.
[2] All or portion of this security is on loan at December 31, 2016 — See Note 6.
[3] Affiliated issuer — See Note 10.
[4] Repurchase Agreement — See Note 5.
[5] Securities lending collateral — See Note 6.
[6] Rate indicated is the 7 day yield as of December 31, 2016.
plc — Public Limited Company

See Sector Classification in Other Information section

The following table summarizes the inputs used to value the Fund's investments at December 31, 2016 (See Note 4 in the Notes to Financial Statements):

Investments in Securities (Assets)	Level 1	Level 1 - Other*	Level 2	Level 2 - Other*	Level 3	Total
Common Stocks	$ 26,822,871	$ —	$ —	$ —	$ —	$ 26,822,871
Equity Futures Contracts	—	1,842	—	—	—	1,842
Mutual Funds	827,176	—	—	—	—	827,176
Repurchase Agreement	—	—	4,794,471	—	—	4,794,471
Securities Lending Collateral	374,152	—	—	—	—	374,152
Total	$ 28,024,199	$ 1,842	$ 4,794,471	$ —	$ —	$ 32,820,512

Investments in Securities (Liabilities)	Level 1	Level 1 - Other*	Level 2	Level 2 - Other*	Level 3	Total
Common Stocks	$ 9,843,525	$ —	$ —	$ —	$ —	$ 9,843,525

* Other financial instruments include futures contracts, which are reported as unrealized gain/loss at period end.

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. Transfers between valuation levels, if any, are in comparison to the valuation levels at the end of the previous fiscal year, and are effective using the fair value as of the end of the previous fiscal period.

For the year ended December 31, 2016, there were no transfers between levels.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2016

Assets:	
Investments in unaffiliated issuers, at value - including $358,339 of securities loaned (cost $25,280,573)	$ 27,197,023
Investments in affiliated issuers, at value (cost $826,000)	827,176
Repurchase agreement, at value (cost $4,794,471)	4,794,471
Total investments (cost $30,901,044)	32,818,670
Segregated cash with broker	9,173,390
Cash	952
Receivables:	
Variation margin	910
Fund shares sold	175,016
Dividends	54,302
Interest	64
Securities lending income	567
Total assets	42,223,871
Liabilities:	
Securities sold short, at value (proceeds $9,934,509)	9,843,525
Payable for:	
Return of securities loaned	374,152
Management fees	24,376
Fund shares redeemed	8,236
Investor service fees	6,771
Transfer agent and administrative fees	2,708
Portfolio accounting fees	2,708
Securities purchased	1,136
Miscellaneous	73,566
Total liabilities	10,337,178
Commitments and contingent liabilities (Note 12)	—
Net assets	$ 31,886,693
Net assets consist of:	
Paid in capital	$ 30,736,431
Undistributed net investment income	35,125
Accumulated net realized loss on investments	(895,315)
Net unrealized appreciation on investments	2,010,452
Net assets	$ 31,886,693
Capital shares outstanding	2,074,046
Net asset value per share	$15.37

STATEMENT OF OPERATIONS

Year Ended December 31, 2016

Investment Income:	
Dividends from securities of unaffiliated issuers (net of foreign withholding tax of $267)	$ 773,904
Dividends from securities of affiliated issuers	23,324
Interest	6,562
Income from securities lending, net	2,143
Total investment income	805,933
Expenses:	
Management fees	321,228
Transfer agent and administrative fees	35,691
Investor service fees	89,230
Professional fees	40,078
Portfolio accounting fees	35,691
Short sales dividend expense	207,585
Prime broker interest expense	27,373
Custodian fees	6,793
Trustees' fees*	2,432
Interest expense	37
Miscellaneous	25,815
Total expenses	791,953
Net investment income	13,980
Net Realized and Unrealized Gain (Loss):	
Net realized gain (loss) on:	
Investments in unaffiliated issuers	(27,929)
Investments in affiliated issuers	1,198
Futures contracts	(54,493)
Securities sold short	(601,308)
Net realized loss	(682,532)
Net change in unrealized appreciation (depreciation) on:	
Investments in unaffiliated issuers	2,506,237
Investments in affiliated issuers	5,535
Securities sold short	(2,000,690)
Futures contracts	1,796
Net change in unrealized appreciation (depreciation)	512,878
Net realized and unrealized loss	(169,654)
Net decrease in net assets resulting from operations	$ (155,674)

* Relates to Trustees not deemed "interested persons" within the meaning of Section 2(a)(19) of the 1940 Act.

SEE NOTES TO FINANCIAL STATEMENTS.

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2016	Year Ended December 31, 2015
Increase (Decrease) in Net Assets from Operations:		
Net investment income (loss)	$ 13,980	$ (253,397)
Net realized gain (loss) on investments	(682,532)	1,447,380
Net change in unrealized appreciation (depreciation) on investments	512,878	(897,565)
Net increase (decrease) in net assets resulting from operations	(155,674)	296,418
Capital share transactions:		
Proceeds from sale of shares	12,618,096	22,503,260
Cost of shares redeemed	(19,695,322)	(13,721,183)
Net increase (decrease) from capital share transactions	(7,077,226)	8,782,077
Net increase (decrease) in net assets	(7,232,900)	9,078,495
Net assets:		
Beginning of year	39,119,593	30,041,098
End of year	$ 31,886,693	$ 39,119,593
Undistributed net investment income at end of year	$ 35,125	$ —
Capital share activity:		
Shares sold	841,745	1,467,031
Shares redeemed	(1,329,016)	(897,693)
Net increase (decrease) in shares	(487,271)	569,338

FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share outstanding throughout each period and to assist shareholders in evaluating a Fund's performance for the periods presented.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Per Share Data					
Net asset value, beginning of period	$15.27	$15.08	$14.67	$12.49	$11.96
Income (loss) from investment operations:					
Net investment income (loss)[a]	.01	(.11)	(.09)	(.14)	—[b]
Net gain (loss) on investments (realized and unrealized)	.09	.30	.50	2.32	.53
Total from investment operations	.10	.19	.41	2.18	.53
Less distributions from:					
Net investment income	—	—	—	(—)[c]	—
Total distributions	—	—	—	(—)[c]	—
Net asset value, end of period	$15.37	$15.27	$15.08	$14.67	$12.49
Total Return[d]	**0.65%**	**1.26%**	**2.79%**	**17.46%**	**4.43%**
Ratios/Supplemental Data					
Net assets, end of period (in thousands)	$31,887	$39,120	$30,041	$45,295	$38,656
Ratios to average net assets:					
Net investment income (loss)	0.04%	(0.71%)	(0.63%)	(1.05%)	—[f]
Total expenses[e,g]	2.22%	2.28%	2.12%	2.28%	1.86%
Portfolio turnover rate	239%	244%	316%	292%	203%

[a] Net investment income (loss) per share was computed using average shares outstanding throughout the period.
[b] Net investment income is less than $0.01 per share.
[c] Distributions from net investment income are less than $0.01 per share.
[d] Total return does not reflect the impact of any additional fees charged by insurance companies.
[e] Does not include expenses of the underlying funds in which the Fund invests.
[f] Less than 0.01%.
[g] Total expenses may include interest and dividend expense. Excluding interest and dividend expense related to short sales, net expense ratios for the years ended December 31 would be:

2016	2015	2014	2013	2012
1.56%	1.51%	1.57%	1.62%	1.73%

1. Organization and Significant Accounting Policies

Organization

The Rydex Variable Trust (the "Trust"), a Delaware statutory trust, is registered with the SEC under the Investment Company Act of 1940 ("1940 Act"), as an open-ended investment company of the series type. Each series, in effect, is representing a separate Fund. The Trust is authorized to issue an unlimited number of no par value shares. At December 31, 2016, the Trust consisted of fifty-two funds (the "Funds"). The Trust offers shares of the Funds to insurance companies for their variable annuity and variable life insurance contracts.

This report covers the Long Short Equity Fund (the "Fund"), a non-diversified investment company.

Guggenheim Investments ("GI") provides advisory services. Guggenheim Funds Distributors, LLC ("GFD") acts as principal underwriter for the Trust. GI and GFD are affiliated entities.

Significant Accounting Policies

The Fund operates as an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 946 Financial Services – Investment Companies.

The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and are consistently followed by the Trust. This requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. All time references are based on Eastern Time.

The net asset value per share ("NAV") of the Fund is calculated by dividing the market value of the Fund's securities and other assets, less all liabilities, by the number of outstanding shares of the Fund.

A. The Board of Trustees of the Fund (the "Board") has adopted policies and procedures for the valuation of the Fund's investments (the "Valuation Procedures"). Pursuant to the Valuation Procedures, the Board has delegated to a valuation committee, consisting of representatives from Guggenheim's investment management, fund administration, legal and compliance departments (the "Valuation Committee"), the day-to-day responsibility for implementing the Valuation Procedures, including, under most circumstances, the responsibility for determining the fair value of the Fund's securities and/or other assets.

Valuations of the Fund's securities are supplied primarily by pricing services appointed pursuant to the processes set forth in the Valuation Procedures. The Valuation Committee convenes monthly, or more frequently as needed, to review the valuation of all assets which have been fair valued for reasonableness. The Fund's officers, through the Valuation Committee and consistent with the monitoring and review responsibilities set forth in the Valuation Procedures, regularly review procedures used and valuations provided by the pricing services.

If the pricing service cannot or does not provide a valuation for a particular investment or such valuation is deemed unreliable, such investment is fair valued by the Valuation Committee.

Equity securities listed on an exchange (New York Stock Exchange ("NYSE") or American Stock Exchange) are valued at the last quoted sales price as of the close of business on the NYSE, usually 4:00 p.m. on the valuation date. Equity securities listed on the NASDAQ market system are valued at the NASDAQ Official Closing Price on the valuation date, which may not necessarily represent the last sale price. If there has been no sale on such exchange or NASDAQ on a given day, the security is valued at the closing bid price on that day.

Open-end investment companies ("mutual funds") are valued at their NAV as of the close of business, on the valuation date.

Repurchase agreements are valued at amortized cost, provided such amounts approximate market value.

The value of futures contracts is accounted for using the unrealized gain or loss on the contracts that is determined by marking the contracts to their current realized settlement prices. Financial futures contracts are valued at the 4:00 p.m. price on the valuation date. In the event that the exchange for a specific futures contract closes earlier than 4:00 p.m., the futures contract is valued at the Official Settlement Price of the exchange. However, the underlying securities from which the futures contract value is derived are monitored until 4:00 p.m. to determine if fair valuation would provide a more accurate valuation.

Investments for which market quotations are not readily available are fair-valued as determined in good faith by GI under the direction of the Board using methods established or ratified by the Board. Valuations in accordance with these methods are intended to reflect each security's (or asset's) "fair value." Each such determination is based on a consideration of all relevant factors, which are likely to vary from one pricing context to another. Examples of such factors may include, but are not limited to market prices; sale prices; broker quotes; and models which derive prices based on inputs such as prices of securities with comparable maturities and characteristics, or based on inputs such as anticipated cash flows or collateral, spread over Treasuries, and other information analysis.

In connection with futures contracts and other derivative investments, such factors may include obtaining information as to how (a) these contracts and other derivative investments trade in the futures or other derivative markets, respectively, and (b) the securities underlying these contracts and other derivative investments trade in the cash market.

B. When the Fund engages in a short sale of a security, an amount equal to the proceeds is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the market value of the short sale. The Fund maintains a segregated account of cash and/or securities as collateral for short sales.

Fees, if any, paid to brokers to borrow securities in connection with short sales are recorded as interest expense. In addition, the Fund must pay out the dividend rate of the equity or coupon rate of the obligation to the lender and record this as an expense. Short dividend or interest expense is a cost associated with the investment objective of short sales transactions, rather than an operational cost associated with the day-to-day management of any mutual fund. The Fund may also receive rebate income from the broker resulting from the investment of the proceeds from securities sold short.

Upon entering into a futures contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is affected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

C. Security transactions are recorded on the trade date for financial reporting purposes. Realized gains and losses from securities transactions are recorded using the identified cost basis. Proceeds from lawsuits related to investment holdings are recorded as realized gains in the Fund. Dividend income is recorded on the ex-dividend date, net of applicable taxes withheld by foreign countries. Taxable non-cash dividends are recorded as dividend income. Interest income, including amortization of premiums and accretion of discounts, is accrued on a daily basis. Dividend income from REITs is recorded based on the income included in the distributions received from the REIT investments using published REIT classifications, including some management estimates when actual amounts are not available. Distributions received in excess of this estimated amount are recorded as a reduction of the cost of investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year-end, and may differ from the estimated amounts.

D. Distributions of net investment income and net realized gains, if any, are declared and paid at least annually. Normally, all such distributions of a fund will automatically be reinvested without charge in additional shares of the same fund. Distributions are recorded on the ex-dividend date and are determined in accordance with income tax regulations which may differ from U.S. GAAP.

E. The Fund may leave cash overnight in its cash account with the custodian. Periodically, the Fund may have cash due to the custodian bank as an overdraft balance. A fee is incurred on this overdraft, calculated by multiplying the overdraft by a rate based on the federal funds rate, which was 0.55% at December 31, 2016.

F. Under the Fund's organizational documents, its Trustees and Officers are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, throughout the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund and/or its affiliates that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

2. Financial Instruments

As part of its investment strategy, the Fund utilizes short sales and a variety of derivative instruments. These investments involve, to varying degrees, elements of market risk and risks in excess of the amounts recognized in the Statement of Assets and Liabilities. Valuation and accounting treatment of these instruments can be found under Significant Accounting Policies in Note 1 of these Notes to Financial Statements.

Short Sales

A short sale is a transaction in which a Fund sells a security it does not own. If the security sold short decreases in price between the time the Fund sells the security and closes its short position, the Fund will realize a gain on the transaction. Conversely, if the security increases in price during the period, the Fund will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales.

Derivatives

Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to increase investment flexibility (including to maintain cash reserves while maintaining exposure to certain other assets), for risk management (hedging) purposes, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. Derivative instruments may also be used to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. U.S. GAAP requires disclosures to enable investors to better understand how and why the Fund uses derivative instruments, how these derivative instruments are accounted for and their effects on the Fund's financial position and results of operations. The Fund may utilize derivatives for the following purposes:

Duration: the use of an instrument to manage the interest rate risk of a portfolio.

Hedge: an investment made in order to reduce the risk of adverse price movements in a security, by taking an offsetting position to protect against broad market moves.

Income: the use of any instrument that distributes cash flows typically based upon some rate of interest.

Index Exposure: the use of an instrument to obtain exposure to a listed or other type of index.

Liquidity: the ability to buy or sell exposure with little price/market impact.

Speculation: the use of an instrument to express macro-economic and other investment views.

Leverage: gaining total exposure to equities or other assets on the long and short sides at greater than 100% of invested capital.

As the Fund's investment strategy consistently involves applying leverage, the value of the Fund's shares will tend to increase or decrease more than the value of any increase or decrease in the underlying index or other asset. In addition, because an investment in derivative instruments generally requires a small investment relative to the amount of investment exposure assumed, an opportunity for increased net income is created; but, at the same time, leverage risk will increase. The Fund's use of leverage, through borrowings or instruments such as derivatives, may cause the Fund to be more volatile and riskier than if they had not been leveraged.

Futures

A futures contract is an agreement to purchase (long) or sell (short) an agreed amount of securities or other instruments at a set price for delivery at a future date. There are significant risks associated with a Fund's use of futures contracts, including (i) there may be an imperfect or no correlation between the changes in market value of the underlying asset and the prices of futures contracts; (ii) there may not be a liquid secondary market for a futures contract; (iii) trading restrictions or limitations may be imposed by an exchange; and (iv) government regulations may restrict trading in futures contracts. When investing in futures, there is minimal counterparty credit risk to a Fund because futures are exchange-traded and the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees against default. Cash deposits are shown as segregated cash with broker on the Statement of Assets and Liabilities; securities held as collateral are noted on the Schedule of Investments

The following table represents the Fund's use and volume of futures on a quarterly basis:

		Average Notional	
Fund	**Use**	**Long**	**Short**
Long Short Equity Fund	Index exposure, Liquidity	$ —	$ 211,563

Derivative Investment Holdings Categorized by Risk Exposure

The following is a summary of the location of derivative investments on the Fund's Statement of Assets and Liabilities as of December 31, 2016:

Derivative Investment Type	Asset Derivatives	Liability Derivatives
Equity contracts	Variation margin	—

The following table sets forth the fair value of the Fund's derivative investments categorized by primary risk exposure at December 31, 2016:

Asset Derivative Investments Value		
Fund	Futures Equity Contracts*	Total Value at December 31, 2016
Long Short Equity Fund	$ 1,842	$ 1,842

* Includes cumulative appreciation (depreciation) of futures contracts as reported on the Schedule of Investments. Only current day's variation margin is reported within the Statement of Assets and Liabilities.

The following is a summary of the location of derivative investments on the Fund's Statement of Operations for the year ended December 31, 2016:

Derivative Investment Type	Location of Gain (Loss) on Derivatives
Equity contracts	Net realized gain (loss) on futures contracts Net change in unrealized appreciation (depreciation) on futures contracts

The following is a summary of the Fund's realized gain (loss) and change in unrealized appreciation (depreciation) on derivative investments recognized on the Statement of Operations categorized by primary risk exposure for the year ended December 31, 2016:

Realized Gain (Loss) on Derivative Investments Recognized on the Statement of Operations		
Fund	Futures Equity Contracts	Total
Long Short Equity Fund	$ (54,493)	$ (54,493)

Change in Unrealized Appreciation (Depreciation) on Derivative Investments Recognized on the Statement of Operations		
Fund	Futures Equity Contracts	Total
Long Short Equity Fund	$ 1,796	$ 1,796

In conjunction with the use short sales and of derivative instruments, the Fund is required to maintain collateral in various forms. The Fund uses, where appropriate, depending on the financial instrument utilized and the broker involved, margin deposits at the broker, cash and/or securities segregated at the custodian bank, discount notes or the repurchase agreements allocated to the Fund.

The Trust has established counterparty credit guidelines and enters into transactions only with financial institutions of investment grade or better. The Trust monitors the counterparty credit risk.

3. Fees and Other Transactions with Affiliates

Under the terms of an investment advisory contract, the Fund pays GI investment advisory fees calculated at an annualized rate of 0.90% of the average daily net assets of the Fund.

GI engages external service providers to perform other necessary services for the Trust, such as audit and accounting related services, legal services, custody, printing and mailing, etc., on a pass-through basis. Such expenses are allocated to various Funds within the complex based on relative net assets.

The Trust has adopted an Investor Services Plan for which GFD and other firms that provide investor services (“Service Providers”) may receive compensation. The Fund will pay investor service fees to GFD at an annual rate not to exceed 0.25% of average daily net assets. GFD, in turn, will compensate Service Providers for providing such services, while retaining a portion of such payments to compensate itself for investor services it performs.

Certain trustees and officers of the Trust are also officers of GI and GFD.

On October 4, 2016, Rydex Fund Services, LLC (“RFS”) was purchased by MUFG Investor Services and as of that date RFS ceased to be an affiliate of GI. In connection with its acquisition, RFS changed its name to MUFG Investor Services (US), LLC (“MUIS”). This change had no impact on the financial statements of the Trust.

MUIS acts as the Trust’s administrator, transfer agent and accounting agent. As administrator, transfer agent and accounting agent, MUIS is responsible for maintaining the books and records of the Trust’s securities and cash. For providing the aforementioned services, MUIS is entitled to receive a monthly fee equal to an annual percentage of the Fund’s average daily net assets subject to certain minimum monthly fees and out of pocket expenses.

At December 31, 2016, GI and its affiliates owned over twenty percent of the outstanding shares of the Fund, as follows:

Fund	Percent of outstanding shares owned
Long Short Equity Fund	36%

4. Fair Value Measurement

In accordance with U.S. GAAP, fair value is defined as the price that the Fund would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. U.S. GAAP establishes a three-tier fair value hierarchy based on the types of inputs used to value assets and liabilities and requires corresponding disclosure. The hierarchy and the corresponding inputs are summarized below:

Level 1 — quoted prices in active markets for identical assets or liabilities.

Level 2 — significant other observable inputs (for example quoted prices for securities that are similar based on characteristics such as interest rates, prepayment speeds, credit risk, etc.).

Level 3 — significant unobservable inputs based on the best information available under the circumstances, to the extent observable inputs are not available, which may include assumptions.

The types of inputs available depend on a variety of factors, such as the type of security and the characteristics of the markets in which it trades, if any. Fair valuation determinations that rely on fewer or no observable inputs require greater judgment. Accordingly, fair value determinations for Level 3 securities require the greatest amount of judgment.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The suitability of the techniques and sources employed to determine fair valuation are regularly monitored and subject to change.

5. Repurchase Agreements

The Funds transfer uninvested cash balances into a single joint account, the daily aggregate balance of which is invested in one or more repurchase agreements collateralized by obligations of the U.S. Treasury and U.S. government agencies. The collateral is in the possession of the Funds' custodian and is evaluated to ensure that its market value exceeds, at a minimum, 102% of the original face amount of the repurchase agreements. Each Fund holds a pro rata share of the collateral based on the dollar amount of the repurchase agreement entered into by each Fund.

At December 31, 2016, the repurchase agreements in the joint account were as follows:

Counterparty and Terms of Agreement	Face Value	Repurchase Price	Collateral	Par Value	Fair Value
Royal Bank of Canada			U.S. TIP Notes		
0.24%			0.13%		
Due 01/03/17	$ 33,684,738	$ 33,685,636	04/15/20	$ 32,988,700	$ 34,358,487
UMB Financial Corp.			Federal Farm Credit Bank		
0.24%			0.60% - 0.85%		
Due 01/03/17	25,500,648	25,501,328	04/05/17 - 05/17/17	20,989,000	21,002,488
			Federal Home Loan Bank		
			0.88%		
			05/24/17	5,000,000	5,009,097
				$ 25,989,000	$ 26,011,584
HSBC Securities, Inc.			U.S. Treasury Notes		
0.28%			4.25%		
Due 01/03/17	25,500,648	25,501,442	11/15/40	16,267,000	19,731,208
			U.S. Treasury Strips		
			0.00%		
			11/15/27	8,479,800	6,279,462
				$ 24,746,800	$ 26,010,670

In the event of counterparty default, the Funds have the right to collect the collateral to offset losses incurred. There is potential loss to the Funds in the event the Funds are delayed or prevented from exercising their rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Funds seek to assert their rights. The Funds' investment adviser, acting under the supervision of the Board, reviews the value of the collateral and the creditworthiness of those banks and dealers with which the Funds enter into repurchase agreements to evaluate potential risks.

6. Portfolio Securities Loaned

The Fund may lend its securities to approved brokers to earn additional income. Security lending income shown on the Statement of Operations is shown net of rebates paid to the borrowers and earnings on cash collateral investments shared with the lending agent. Within this arrangement, the Fund acts as the lender, U.S. Bank acts as the lending agent, and other approved registered broker dealers act as the borrowers. The Fund receives cash collateral, valued at 102% of the value of the securities on loan. Under the terms of the Fund's securities lending agreement with U.S. Bank, cash collateral and proceeds are invested in the First American Government Obligations Fund - Class Z. The Fund bears the risk of loss on cash collateral investments. Collateral is maintained over the life of the loan in an amount not less than the value of loaned securities, as determined at the close of business each day; any additional collateral required due to changes in security values is delivered to the Fund the next business day. Although the collateral mitigates the risk, the Fund could experience a delay in recovering its securities and a possible loss of income or value if the borrower fails to return the securities. The Fund has the right under the securities lending agreement to recover the securities from the borrower on demand. Securities lending transactions are accounted for as secured borrowings. The remaining contractual maturity of the securities lending agreement is overnight and continuous.

At December 31, 2016, the Fund participated in securities lending transactions, which are subject to enforceable netting arrangements, as follows:

	Gross Amounts Not Offset in the Statement of Assets and Liabilities			Securities Lending Collateral		
Fund	Value of Securities Loaned	Collateral Received[a]	Net Amount	Cash Collateral Invested	Cash Collateral Received	Total Collateral
Long Short Equity Fund	$ 358,339	$ (358,339)	$ —	$ 374,152	$ —	$ 374,152

[a] Actual collateral received by the Fund is greater than the amount shown due to overcollateralization.

In the event of counterparty default, the Fund has the right to collect the collateral to offset losses incurred. There is potential loss to the Fund in the event the Fund is delayed or prevented from exercising its right to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights. GI, acting under the supervision of the Board, reviews the value of the collateral and the creditworthiness of those banks and dealers to evaluate potential risks.

7. Offsetting

In the normal course of business, the Fund enters into transactions subject to enforceable master netting arrangements or other similar arrangements. Generally, the right to offset in those agreements allows the Fund to counteract the exposure to a specific counterparty with collateral received from or delivered to that counterparty based on the terms of the arrangements. These arrangements provide for the right to liquidate upon the occurrence of an event of default, credit event upon merger or additional termination event.

In order to better define their contractual rights and to secure rights that will help the Fund mitigate its counterparty risk, the Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with their derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between a Fund and a counterparty that governs OTC derivatives, including foreign exchange contracts, and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of a default (close-out netting) or similar event, including the bankruptcy or insolvency of the counterparty.

For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark-to-market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by the Fund and the counterparty. For financial reporting purposes, cash collateral that has been pledged to cover obligations of the Fund and cash collateral received from the counterparty, if any, are reported separately on the Statement of Assets and Liabilities as segregated cash with broker/receivable for variation margin, or payable for swap settlement/variation margin. Generally, the amount of collateral due from or to a counterparty must exceed a minimum transfer amount threshold (e.g., $300,000) before a transfer is required to be made. To the extent amounts due to the Fund from its counterparties are not fully collateralized, contractually or otherwise, the Fund bears the risk of loss from counterparty nonperformance. The Fund attempts to mitigate counterparty risk by only entering into agreements with counterparties that they believe to be of good standing and by monitoring the financial stability of those counterparties.

For financial reporting purposes, the Fund does not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statements of Assets and Liabilities.

8. Federal Income Tax Information

The Fund intends to comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and will distribute substantially all taxable net investment income and capital gains sufficient to relieve the Fund from all, or substantially all, federal income, excise and state income taxes. Therefore, no provision for federal or state income tax is required.

Tax positions taken or expected to be taken in the course of preparing the Fund's tax returns are evaluated to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Management has analyzed the Fund's tax positions taken, or to be taken, on federal income tax returns for all open tax years, and has concluded that no provision for income tax is required in the Fund's financial statements. The Fund's federal tax returns are subject to examination by the Internal Revenue Service for a period of three years after they are filed.

Tax basis capital losses in excess of capital gains are carried forward to offset future net capital gains. For the year ended December 31, 2016, the following capital loss carryforward amounts expired, were used, or were permanently lost due to loss limitation rules in Section 382 of the Internal Revenue Code:

Fund	Expired	Utilized	Total
Long Short Equity Fund	$ 9,499,819	$ —	$ 9,499,819

The tax character of distributable earnings/(accumulated losses) as of December 31, 2016 are as follows:

Fund	Undistributed Ordinary Income	Undistributed Long-Term Capital Gain	Net Unrealized Appreciation/ (Depreciation)	Capital Loss Carryforward
Long Short Equity Fund	$ 35,125	$ —	$ 1,884,480	$ (769,343)

For Federal income tax purposes capital loss carryfowards represent realized losses that may be carried forward and applied against future capital gains. For taxable years beginning on or before December 22, 2010 such capital losses may be carried forward for a maximum of eight years. Pursuant to the RIC Modernization Act of 2010, the Fund is permitted to carryforward capital losses incurred in taxable years beginning after December 22, 2010 without expiration and retain their short and/or long-term character. However, post-enactment losses must be utilized prior to pre-enactment capital loss carryfowards. As a result of this ordering rule pre-enactment carryfowards are more likely to expire unused. As of December 31, 2016 capital loss carryfowards for the Fund were as follows:

Fund	Expires in 2017	Expires in 2018	Unlimited Short-Term	Unlimited Long-Term	Total Capital Loss Carryforward
Long Short Equity Fund	$ —	$ —	$ (769,343)	$ —	$ (769,343)

Net investment income and net realized gains (losses) may differ for financial statement and tax purposes because of temporary or permanent book/tax differences. These differences are primarily due to wash sales, income from real estate investment trusts, and return of capital on investments, expired capital loss carry forwards, and accounting for regulated futures transactions. To the extent these differences are permanent, reclassifications are made to the appropriate equity accounts in the period that the differences arise. These reclassifications have no effect on net assets or NAV.

On the Statement of Assets and Liabilities the following adjustments were made for permanent book/tax differences:

Fund	Paid In Capital	Undistributed Net Investment Income	Accumulated Net Realized Gain
Long Short Equity Fund	$ (9,524,678)	$ 21,145	$ 9,503,533

At December 31, 2016, the cost of securities for Federal income tax purposes, the aggregate gross unrealized gain for all securities for which there was an excess of value over tax cost and the aggregate gross unrealized loss for all securities for which there was an excess of tax cost over value, were as follows:

Fund	Tax Cost	Tax Unrealized Appreciation	Tax Unrealized (Depreciation)	Net Tax Unrealized Appreciation/ (Depreciation)
Long Short Equity Fund	$ 31,025,174	$ 2,426,480	$ (632,984)	$ 1,793,496

9. Securities Transactions

For the year ended December 31, 2016, the cost of purchases and proceeds from sales of investment securities, excluding government securities, short-term investments and derivatives, were as follows:

Fund	Purchases	Sales
Long Short Equity Fund	$ 113,102,227	$ 112,009,844

10. Affiliated Transactions

Investments representing 5% or more of the outstanding voting shares of a portfolio company of a fund, or control of or by, or common control under GI, result in that portfolio company being considered an affiliated company of such fund, as defined in the 1940 Act.

The Fund may invest in the Guggenheim Strategy Funds Trust consisting of Guggenheim Strategy Fund I, Guggenheim Strategy Fund II, Guggenheim Strategy Fund III, and Guggenheim Variable Insurance Strategy Fund III (collectively, the "Cash Management Funds"), open-end management investment companies managed by GI. The Cash Management Funds, which launched on March 11, 2014, are offered as cash management options only to mutual funds, trusts, and other accounts managed by GI and/or its affiliates, and are not available to the public. The Cash Management Funds pay no investment management fees. The Cash Management Funds' annual report on Form N-CSR dated September 30, 2015, is available publicly or upon request. This information is available from the EDGAR database on the SEC's website at http://www.sec.gov/Archives/edgar/data/1601445/000089180415000857/gug63224-ncsr.htm.

Transactions during the year ended December 31, 2016, in which the portfolio company is an "affiliated person," were as follows:

Affiliated issuers by Fund	Value 12/31/15	Additions	Reductions	Value 12/31/16	Shares 12/31/16	Investment Income	Realized Gain (Loss)
Long Short Equity Fund							
Guggenheim Strategy Fund I	$ 1,532,873	$ 23,118	$ (750,000)	$ 815,870	32,635	$ 23,078	$ 1,198
Guggenheim Strategy Fund II	10,974	245	—	11,306	453	246	—
	1,543,847	23,363	(750,000)	827,176		23,324	1,198

11. Line of Credit

The Trust, along with other affiliated trusts, secured an uncommitted $75,000,000 line of credit from U.S. Bank, N.A., which expires June 11, 2017. This line of credit is reserved for emergency or temporary purposes. Borrowings, if any, under this arrangement bear interest equal to the Prime Rate, minus 2%, which shall be paid monthly, averaging 1.25% for the year ended December 31, 2016. The Fund did not have any borrowings outstanding under this agreement at December 31, 2016.

The average daily balance borrowed for the year ended December 31, 2016, was as follows:

Fund	Average Daily Balance
Long Short Equity Fund	$ 2,892

12. Legal Proceedings

Tribune Company

Rydex Variable Trust has been named as a defendant and a putative member of the proposed defendant class of shareholders in the case entitled *Kirschner v. FitzSimons*, No. 12-2652 (S.D.N.Y.) (formerly *Official Committee of Unsecured Creditors of Tribune Co. v. FitzSimons*, Adv. Pro. No. 10-54010 (Bankr. D. Del.)) (the "*FitzSimons* action"), as a result of ownership by certain series of the Rydex Variable Trust of shares in the Tribune Company ("Tribune") in 2007, when Tribune effected a leveraged buyout transaction ("LBO") by which Tribune converted to a privately-held company. In his complaint, the plaintiff has alleged that, in connection with the LBO, Tribune insiders and shareholders were overpaid for their Tribune stock using financing that the insiders knew would, and ultimately did, leave Tribune insolvent. The plaintiff has asserted claims against certain insiders, major shareholders, professional advisers, and others involved in the LBO. The plaintiff is also attempting to obtain from former Tribune shareholders, including the Rydex Variable Trust, the proceeds they received in connection with the LBO.

In June 2011, a group of Tribune creditors filed multiple actions against former Tribune shareholders involving state law constructive fraudulent conveyance claims arising out of the 2007 LBO (the "SLCFC actions"). Rydex Variable Trust has been named as a defendant in one or more of these suits. In those actions, the creditors seek to recover from Tribune's former shareholders the proceeds received in connection with the 2007 LBO.

The *FitzSimons* action and the SLCFC actions have been consolidated with the majority of the other Tribune LBO-related lawsuits in a multidistrict litigation proceeding captioned *In re Tribune Company Fraudulent Conveyance Litig.*, No. 11-md-2696 (S.D.N.Y.) (the "MDL Proceeding").

On September 23, 2013, the District Court granted the defendants' omnibus motion to dismiss the SLCFC actions, on the basis that the creditors lacked standing. On September 30, 2013, the creditors filed a notice of appeal of the September 23 order. On October 28, 2013, the defendants filed a joint notice of cross-appeal of that same order. On March 29, 2016, the U.S. Court of Appeals for the Second Circuit issued its opinion on the appeal of the SLCFC actions. The appeals court affirmed the district court's dismissal of those lawsuits, but on different grounds than the district court. The appeals court held that while the plaintiffs have standing under the U.S. Bankruptcy Code, their claims were preempted by Section 546(e) of the Bankruptcy Code—the statutory safe harbor for settlement payments. On April 12, 2016, the Plaintiffs in the SLCFC actions filed a petition seeking rehearing *en banc* before the appeals court. On July 22, 2016, the appeals court denied the petition. On September 9, 2016, the plaintiffs filed a petition for writ of certiorari in the U.S. Supreme Court challenging the Second Circuit's decision that the safe harbor of Section 546(e) applied to their claims. The shareholder defendants, including the Funds, filed a joint brief in opposition to the petition for certiorari on October 24, 2016. The Supreme Court has not yet granted or denied the petition for certiorari.

On May 23, 2014, the defendants filed motions to dismiss the *FitzSimons* action, including a global motion to dismiss Count I, which is the claim brought against former Tribune shareholders for intentional fraudulent conveyance under U.S. federal law. On January 6, 2017, the United States District Court for the Southern District of New York granted the shareholder defendants' motion to dismiss the intentional fraudulent conveyance claim in the *FitzSimons* action. The Court concluded that the plaintiff had failed to allege that Tribune entered the LBO with actual intent to hinder, delay, or defraud its creditors, and therefore the complaint failed to state a claim. In dismissing the intentional fraudulent conveyance claim, the Court denied the plaintiff's request to amend the complaint. The Court's order is not immediately appealable, but any party might ask the Court to direct entry of a final judgment in order to make the order immediately appealable.

None of these lawsuits alleges any wrongdoing on the part of Rydex Variable Trust. The following series of Rydex Variable Trust held shares of Tribune and tendered these shares as part of Tribune's LBO: Nova Fund, S&P 500 2x Strategy Fund, Multi-Cap Core Equity Fund, S&P 500 Pure Value Fund, Hedged Equity Fund and Multi-Hedge Strategies Fund (the "Funds"). The value of the proceeds received by the foregoing Funds was $12,580, $2,380, $1,360, $148,376, $2,720, and $119,034, respectively. At this stage of the proceedings, Rydex Variable Trust is not able to make a reliable predication as to the outcome of these lawsuits or the effect, if any, on a Fund's net asset value.

Lyondell Chemical Company

In December 2011, Rydex Variable Trust was named as a defendant in *Weisfelner, as Trustee of the LB Creditor Trust, v. Fund 1 (In re Lyondell Chemical Co.)*, Adv. Pro. No. 10-4609 (Bankr. S.D.N.Y.) (the "Creditor Trust Action"). Its funds may also be putative members of the proposed defendant classes in *Weisfelner, as Trustee of the LB Litigation Trust v. A. Holmes & H. Holmes TTEE (In re Lyondell Co.)*, Adv. Pro. No. 10-5525 (Bankr. S.D.N.Y.) (the "Litigation Trust Action") and *Weisfelner, as Trustee of the LB Creditor Trust, v. Reichman (In re Lyondell Chemical Co.)*, Adv. Pro. No. 12-1570 (Bankr. S.D.N.Y.).

Similar to the claims made in the Tribune matter, the Weisfelner complaints seek to have set aside and recovered as fraudulent transfers from former Lyondell Chemical Company ("Lyondell") shareholders the consideration paid to them pursuant to the cash out merger of Lyondell shareholders in connection with the combination of Lyondell and Basell AF in 2007. Lyondell filed for bankruptcy in 2008. The Creditor Trust Action and *Reichman* allege claims against the former Lyondell shareholders under state law for both constructive fraudulent transfer and intentional fraudulent transfer. The Litigation Trust Action alleges a claim against the former Lyondell shareholders under federal law for intentional fraudulent transfer.

On April 7, 2014, the plaintiff filed a Third Amended Complaint in the Creditor Trust Action, a Second Amended Complaint in the Litigation Trust Action, and an Amended Complaint in *Reichman*.

On May 8, 2014, the plaintiff in the Litigation Trust Action filed a motion to certify a defendant class generally comprised of all former Lyondell shareholders that received proceeds in exchange for their shares in the 2007 merger transaction.

On July 30, 2014, the defendants filed a motion to dismiss these lawsuits. The Bankruptcy Court held oral argument on the motion to dismiss and on the motion for class certification on January 14 and January 15, 2015. On September 15, 2015, the Bankruptcy Court denied the motion for class certification without prejudice to the plaintiff's right to file a renewed motion. On November 18, 2015, the Bankruptcy Court granted the defendants' motion to dismiss the intentional fraudulent transfer claims in the Creditor Trust Action, the Litigation Trust Action, and in *Reichman*, but denied the motion to dismiss the constructive fraudulent transfer claims in the Creditor Trust Action and in *Reichman*. The Bankruptcy Court entered final judgment dismissing the Litigation Trust Action, but the plaintiff has appealed the dismissal to the U.S. District Court for the Southern District of New York.

On May 4, 2016, the defendants filed a motion to dismiss, or in the alternative, for a stay of, the Creditor Trust Action and *Reichman* in light of the U.S. Court of Appeals for the Second Circuit's opinion in the appeal of the Tribune SLCFC actions. On July 20, 2016, the Bankruptcy Court issued a report and recommendation granting the defendants' motion to dismiss. The U.S. District Court for the Southern District of New York has not yet accepted the Bankruptcy Court's recommendation or entered a final judgment.

On July 27, 2016, the District Court reversed the Bankruptcy Court and reinstated the federal law intentional fraudulent transfer claim in the Litigation Trust Action and remanded to the Bankruptcy Court for further proceedings. The District Court found that the fraudulent intent that mattered was that of Lyondell's CEO, not its board, because the CEO's intent could be imputed to Lyondell under Delaware law agency principles. The District Court did note, however, that plaintiff faces a high standard for proving "actual intent" to harm creditors, and that it remains to be seen whether plaintiff will be able to make this showing. On August 11, 2016, the shareholder defendants filed a motion for reconsideration and/or to certify an interlocutory appeal of the District Court's opinion. On October 5, 2016, the District Court denied the motion for reconsideration and/or to certify an interlocutory appeal. In light of this ruling, the federal intentional fraudulent conveyance claim will move forward before the Bankruptcy Court, but a schedule for that case has not yet been set.

These lawsuits do not allege any wrongdoing on the part of Rydex Variable Trust. The following series of Rydex Variable Trust received cash proceeds from the cash out merger in the following amounts: Basic Materials Fund - $1,235,952; Long Short Equity Fund f/k/a U.S. Long Short Momentum Fund - $523,200; Multi-Cap Core Equity Fund - $5,760; Hedged Equity Fund - $480; and Multi-Hedge Strategies Fund - $112,848. At this stage of the proceedings, Rydex Variable Trust is not able to make a reliable predication as to the outcome of these lawsuits or the effect, if any, on a Fund's net asset value.

The Board of Trustees and Shareholders
of Rydex Variable Trust:

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Long Short Equity Fund (one of the series constituting the Rydex Variable Trust) (the "Fund") as of December 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2016, by correspondence with the custodian, transfer agent, and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Long Short Equity Fund (one of the series constituting the Rydex Variable Trust) at December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

McLean, Virginia
February 28, 2017

Proxy Voting Information

A description of the policies and procedures that the Trust uses to determine how to vote proxies relating to securities held in the Fund's portfolios is available, without charge and upon request, by calling 800.820.0888. This information is also available from the EDGAR database on the SEC's website at https://www.sec.gov.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge, upon request, by calling 800.820.0888. This information is also available from the EDGAR database on the SEC's website at https://www.sec.gov.

Sector Classification

Information in the Schedule of Investments is categorized by sectors using sector-level Classifications defined by the Bloomberg Industry Classification System, a widely recognized industry classification system provider. The Fund's registration statement has investment policies relating to concentration in specific sectors/industries. For purposes of these investment policies, the Fund usually classifies sectors/industries based on industry-level Classifications used by widely recognized industry classification system providers such as Bloomberg Industry Classification System, Global Industry Classification Standards and Barclays Global Classification Scheme.

Quarterly Portfolio Schedules Information

The Trust files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which are available on the SEC's website at https://www.sec.gov. The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and that information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330. Copies of the portfolio holdings are also available to shareholders, without charge and upon request, by calling 800.820.0888.

A Board of Trustees oversees the Trust, as well as other trusts of GI, in which its members have no stated term of service, and continue to serve after election until resignation. The Statement of Additional Information includes further information about Fund Trustees and Officers, and can be obtained without charge by visiting guggenheiminvestments.com or by calling 800.820.0888.

Name, Address* and Year of Birth of Trustee	Position(s) Held with the Trust, Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee***	Other Directorships Held by Trustee****
INTERESTED TRUSTEE				
Donald C. Cacciapaglia** (1951)	President and Trustee from 2012 to present.	Current: President and CEO, certain other funds in the Fund Complex (2012-present); Vice Chairman, Guggenheim Investments (2010-present). Former: Chairman and CEO, Channel Capital Group, Inc. (2002-2010).	230	Clear Spring Life Insurance Company (2015-present); Guggenheim Partners Japan, Ltd. (2014-present); Guggenheim Partners Investment Management Holdings, LLC (2014-present); Delaware Life (2013-present); Guggenheim Life and Annuity Company (2011-present); Paragon Life Insurance Company of Indiana (2011-present).
INDEPENDENT TRUSTEES				
Angela Brock-Kyle**** (1959)	Trustee from August 2016 to present.	Current: Founder and Chief Executive Officer, B.O.A.R.D.S (consulting firm) Former: Senior Leader, TIAA (financial services firm) (1987-2012).	135	Infinity Property & Casualty Corporation (2014-present).
Corey A. Colehour (1945)	Trustee from 1993 to present; Member of the Audit Committee from 1994 to present; Member of the Governance Committee from 2014 to present; and Member of the Investment and Performance Committee from 2014 to present.	Retired.	135	None.
J. Kenneth Dalton (1941)	Trustee from 1995 to present; Chairman and Member of the Audit Committee from 1997 to present; and Member of the Compliance and Risk Oversight Committee from 2010 to present.	Retired.	135	Epiphany Funds (4) (2009-present).

Name, Address* and Year of Birth of Trustee	Position(s) Held with the Trust, Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Trustee***	Other Directorships Held by Trustee****
INDEPENDENT TRUSTEES - concluded				
John O. Demaret (1940)	Vice Chairman of the Board from 2014 to present (Chairman of the Board from 2006 to 2014); Trustee and Member of the Audit Committee from 1997 to present; Chairman (since 2014) and Member of the Compliance and Risk Oversight Committee from 2010 to present; Chairman and Member of the Investment and Performance Committee from 2014 to present; and Member of the Nominating Committee from 2014 to present.	Retired.	135	None.
Werner E. Keller (1940)	Chairman of the Board from 2014 to present (Vice Chairman of the Board from 2010 to 2014); Trustee and Member of the Audit Committee from 2005 to present; and Member of the Investment and Performance Committee from 2014 to present.	Current: Founder and President, Keller Partners, LLC (investment research firm) (2005-present).	135	None.
Thomas F. Lydon, Jr. (1960)	Trustee and Member of the Audit Committee from 2005 to present; Member of the Nominating Committee from 2005 to present; and Member of the Governance Committee from 2007 to present.	Current: President, Global Trends Investments (registered investment adviser) (1996-present).	135	US Global Investors (GROW) (1995-present).
Patrick T. McCarville (1942)	Trustee from 1997 to present; Member of the Audit Committee from 1997 to present; Chairman and Member of the Nominating Committee from 2004 to present; Chairman and Member of the Governance Committee from 2007 to present; and Member of the Compliance and Risk Oversight Committee from 2014 to present.	Retired. Former: Chief Executive Officer, Par Industries, Inc., d/b/a Par Leasing (1977-2010).	135	None.
Sandra G. Sponem**** (1958)	Trustee from August 2016 to present.	Current: Senior Vice President and Chief Financial Officer, M.A. Mortenson Companies, Inc. (general contracting firm) (2007-present).	135	None.

Name, Address* and Year of Birth	Position(s) Held with the Trust, Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
OFFICERS		
Michael P. Byrum (1970)	Vice President (1999-present)	Current: Senior Vice President, Security Investors, LLC (2010-present); President and Chief Investment Officer, Rydex Holdings, LLC (2008-present); Director and Chairman, Advisory Research Center, Inc. (2006-present); Manager, Guggenheim Specialized Products, LLC (2005-present). Former: Vice President, Guggenheim Distributors, LLC (2009); Director (2009-2010) and Secretary (2002-2010), Rydex Fund Services, LLC; Director (2008-2010), Chief Investment Officer (2006-2010), President (2004-2010) and Secretary (2002-2010), Rydex Advisors, LLC; Director (2008-2010), Chief Investment Officer (2006-2010), President (2004-2010) and Secretary (2002-2010), Rydex Advisors II, LLC.
Joanna M. Catalucci (1966)	AML Officer (2016-present)	Current: Chief Compliance Officer, certain funds in the Fund Complex (2012-present); Senior Managing Director, Guggenheim Investments (2012-present); AML Officer, certain funds in the Fund Complex (2016-present). Former: Chief Compliance Officer and Secretary, certain other funds in the Fund Complex (2008-2012); Senior Vice President & Chief Compliance Officer, Security Investors, LLC and certain affiliates (2010-2012); Chief Compliance Officer and Senior Vice President, Rydex Advisors, LLC and certain affiliates (2010-2011).
James M. Howley (1972)	Assistant Treasurer (2016-present)	Current: Director, Guggenheim Investments (2004-present); Assistant Treasurer, certain other funds in the Fund Complex (2006-present). Former: Manager, Mutual Fund Administration of Van Kampen Investments, Inc. (1996-2004).
Keith D. Kemp (1960)	Assistant Treasurer (2016-present)	Current: Managing Director of Transparent Value, LLC (April 2015-present); Managing Director of Guggenheim Investments (April 2015-present). Former: Director, Transparent Value, LLC (2010-2015); Director, Guggenheim Investments (2010-2015); Chief Operating Officer, Macquarie Capital Investment Management (2007-2009).
Amy J. Lee (1961)	Vice President (2009-present) and Secretary (2012-present)	Current: Chief Legal Officer, certain other funds in the Fund Complex (2013-present); Senior Managing Director, Guggenheim Investments (2012-present). Former: Vice President, Associate General Counsel and Assistant Secretary, Security Benefit Life Insurance Company and Security Benefit Corporation (2004-2012).
Elisabeth Miller (1968)	Chief Compliance Officer (2012-present)	Current: CCO, certain other funds in the Fund Complex (2012-present); CCO, Security Investors, LLC (2012-present); CCO, Guggenheim Funds Investment Advisors, LLC (2012-present); Managing Director, Guggenheim Investments (2012-present); Vice President, Guggenheim Funds Distributors, LLC (March 2014-present). Former: CCO, Guggenheim Distributors, LLC (2009-March 2014); Senior Manager, Security Investors, LLC (2004-2009); Senior Manager, Guggenheim Distributors, LLC (2004-2009).
Glenn McWhinnie (1969)	Assistant Treasurer (2016-present)	Current: Vice President, Guggenheim Investments (2009-present). Former: Tax Compliance Manager, Ernst & Young LLP (1996-2009).

Name, Address* and Year of Birth	Position(s) Held with the Trust, Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
OFFICERS - concluded		
Adam J. Nelson (1979)	Assistant Treasurer (2016-present)	Current: Vice President, Guggenheim Investments (2015-present); Assistant Treasurer, certain other funds in the Fund Complex (2015-present). Former: Assistant Vice President and Fund Administration Director, State Street Corporation (2013-2015); Fund Administration Assistant Director, State Street (2011-2013); Fund Administration Manager, State Street (2009-2011).
Kimberly J. Scott (1974)	Assistant Treasurer (2016-present)	Current: Vice President, Guggenheim Investments (2012-present); Assistant Treasurer, certain other funds in the Fund Complex (2012-present). Former: Financial Reporting Manager, Invesco, Ltd. (2010-2011); Vice President/Assistant Treasurer, Mutual Fund Administration for Van Kampen Investments, Inc./Morgan Stanley Investment Management (2009-2010); Manager of Mutual Fund Administration, Van Kampen Investments, Inc./Morgan Stanley Investment Management (2005-2009).
John L. Sullivan (1955)	Chief Financial Officer and Treasurer (2016-present)	Current: CFO, Chief Accounting Officer and Treasurer, certain other funds in the Fund Complex (2010-present); Senior Managing Director, Guggenheim Investments (2010-present). Former: Managing Director and CCO, each of the funds in the Van Kampen Investments fund complex (2004-2010); Managing Director and Head of Fund Accounting and Administration, Morgan Stanley Investment Management (2002-2004); CFO and Treasurer, Van Kampen Funds (1996-2004).

* All Trustees and Officers may be reached c/o Guggenheim Investments, 227 West Monroe Street, Chicago, Illinois 60606.

** Mr. Cacciapaglia is an "interested" person of the Trust, as that term is defined in the 1940 Act by virtue of his affiliation with the Adviser's parent company.

*** The "Fund Complex" includes all closed-end and open-end funds (including all of their portfolios) advised by the Adviser and any funds that have an investment adviser or servicing agent that is an affiliated person of the Adviser. Information provided is as of the date of this report.

**** Certain of the Trustees may serve as directors on the boards of companies not required to be disclosed above, including certain non-profit companies and charitable foundations.

***** Mses. Brock-Kyle and Sponem commence serving as independent Trustees effective August 18, 2016.

Guggenheim Investments as used herein refers to Guggenheim Partners, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Partners Investment Management, LLC, Guggenheim Funds Distributors, LLC and Security Investors, LLC as well as the funds in the Guggenheim Funds complex (the “funds”).

Our Commitment to You

When you become a Guggenheim Investments investor, you entrust us with not only your hard-earned money but also with personal and financial information about you. We recognize that your relationship with us is based on trust and that you expect us to act responsibly and in your best interests. Because we have access to personal information about you, we hold ourselves to high standards in its safekeeping and use. This means, most importantly, that we do not sell client or account information to anyone—whether you are a current or former Guggenheim Investments client.

The Information We Collect About You and How We Collect It

In the course of doing business with shareholders and investors, we collect nonpublic personal information about you. You typically provide personal information when you complete a Guggenheim Investments account application or when you request a transaction that involves Rydex and Guggenheim Funds or one of the Guggenheim affiliated companies. “Nonpublic personal information” is personally identifiable information about you. For example it includes your name and address, Social Security or taxpayer identification number, assets, income, account balance, bank account information and investment activity (e.g. purchase and redemption history).

How We Share Your Personal Information

As a matter of policy, we do not disclose your nonpublic personal information to nonaffiliated third parties except as required or permitted by law. As emphasized above, we do not sell information about current or former clients or their accounts to third parties. Nor do we share such information, except when necessary to complete transactions at your request or to make you aware of related investment products and services that we offer. Additional details about how we handle your personal information are provided below.

To complete certain transactions or account changes that you direct, it may be necessary to provide your personal information to companies, individuals or groups that are not affiliated with Guggenheim Investments. For example if you ask to transfer assets from another financial institution to Guggenheim Investments, we will need to provide certain information about you to that company to complete the transaction. In connection with servicing your accounts or to alert you to other Guggenheim Investments investment products and services, we may share your information within the Guggenheim Investments family of affiliated companies. This would include, for example, sharing your information within Guggenheim Investments so we can make you aware of new funds or the services offered through another Guggenheim Investments affiliated company. In certain instances, we may contract with nonaffiliated companies to perform services for us. Where necessary, we will disclose information we have about you to these third parties. In all such cases, we provide the third party with only the information necessary to carry out its assigned responsibilities and only for that purpose. And we require these third parties to treat your personal information with the same high degree of confidentiality that we do. In certain instances, we may share information with other financial institutions regarding individuals and entities in response to the U.S.A. Patriot Act. Finally we will share personal information about you if we are compelled by law to do so, if you direct us to do so with your consent, or in other circumstances as permitted by law.

How We Safeguard Your Personal Information

We maintain physical, electronic and procedural safeguards to protect your personal information. Within Guggenheim Investments, access to such information is limited to those who need it to perform their jobs such as servicing your account, resolving problems or informing you of new products and services.

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.