

**Annual  
Management  
Report of Fund  
Performance**

December 31, 2008

**Claymore  
Closed-End Funds**

*The Power of Access*

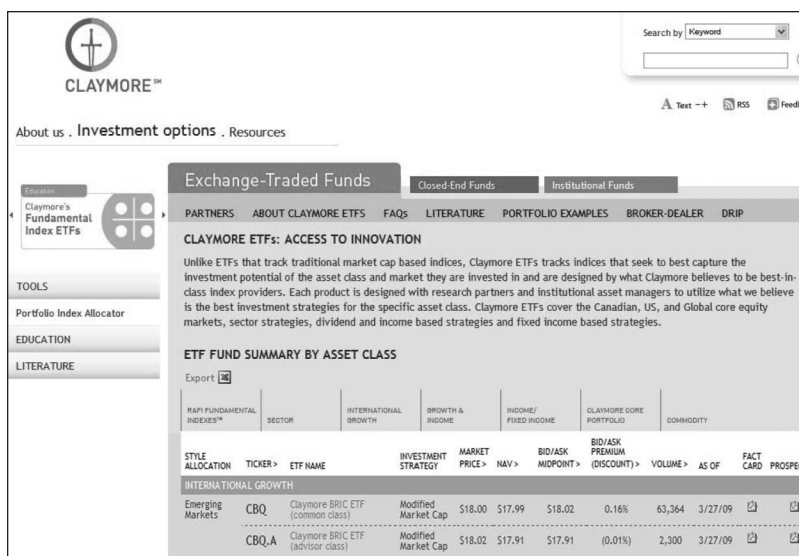
*and the Strength of Partnership*



Adjustable Rate MBS Trust (ADJ)

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Exchange-Traded Funds

CLAYMORE ETFs: ACCESS TO INNOVATION

Unlike ETFs that track traditional market cap based indices, Claymore ETFs tracks indices that seek to best capture the investment potential of the asset class and market they are invested in and are designed by what Claymore believes to be best-in-class index providers. Each product is designed with research partners and institutional asset managers to utilize what we believe is the best investment strategies for the specific asset class. Claymore ETFs cover the Canadian, US, and Global core equity markets, sector strategies, dividend and income based strategies and fixed income based strategies.

**ETF FUND SUMMARY BY ASSET CLASS**

Export

| RAFI FUNDAMENTAL INDICES*   | SECTOR  | INTERNATIONAL GROWTH              | GROWTH & INCOME     | INCOME/ FIXED INCOME | CLAYMORE CORE PORTFOLIO | COMMODITY         |                             |         |         |           |          |
|-----------------------------|---------|-----------------------------------|---------------------|----------------------|-------------------------|-------------------|-----------------------------|---------|---------|-----------|----------|
| STYLE ALLOCATION            | TICKER> | ETF NAME                          | INVESTMENT STRATEGY | MARKET PRICE>        | NAV>                    | BID/ASK MIDPOINT> | BID/ASK PREMIUM (DISCOUNT)> | VOLUME> | AS OF   | FACT CARD | PROSPECT |
| <b>INTERNATIONAL GROWTH</b> |         |                                   |                     |                      |                         |                   |                             |         |         |           |          |
| Emerging Markets            | CBQ     | Claymore BRIC ETF (common class)  | Modified Market Cap | \$18.00              | \$17.99                 | \$18.02           | 0.16%                       | 63,364  | 3/27/09 |           |          |
|                             | CBQ.A   | Claymore BRIC ETF (advisor class) | Modified Market Cap | \$18.02              | \$17.91                 | \$17.91           | (0.01%)                     | 2,300   | 3/27/09 |           |          |

Online at [www.claymoreinvestments.ca](http://www.claymoreinvestments.ca), you will find:

- Daily, weekly and monthly data on share prices, distributions, dividends and more
- Monthly portfolio overviews and performance analyses
- Announcements, press releases and special notices
- Fund and advisor contact information

Claymore Investments is continually updating and expanding shareholder information services on the Fund's website, in an ongoing effort to provide you with the most current information about how your Fund's assets are managed, and the results of our efforts. It is just one more small way we are working to keep you better informed about your investment in the Funds.

# Management Report of **Fund Performance** | As at December 31, 2008

*This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-417-4640, by writing us at 200 University Ave. 13th Floor, Toronto, Ontario M5H 3C6 or by visiting our website at [www.claymoreinvestments.ca](http://www.claymoreinvestments.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).*

*Security holders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the investment fund.*

## **Management Discussion of Fund Performance**

### **Investment Objective and Strategies**

Adjustable Rate MBS Trust has the following investment objectives:

(i) to provide Unitholders with a tax efficient stream of monthly cash distributions targeted over the term of the Trust to equal the average 10-Year U.S. Treasury Note plus approximately 2.5% and (ii) to preserve the NAV of the Trust.

### **Strategies**

Adjustable Rate MBS Trust (the "Fund") provides Unitholders with exposure, through a forward agreement, to a portfolio primarily consisting of U.S. mortgage-backed securities ("MBS Portfolio") having an actual or implied AAA rating, which are issued by the U.S. agencies known as Ginnie Mae, Fannie Mae and Freddie Mac or by other major financial institutions. The MBS Portfolio is held by Claymore MBS Limited Partnership ("Partnership") and the Trust obtains exposure to the Partnership by entering into one or more forward purchase and sale agreements with Royal Bank of Canada.

### **Risk**

The Fund experienced redemptions of its units during its annual redemption period in May 2008. Because of a combination of scarce investment opportunities and the anticipation of redemptions, we maintained a significant cash position, which was more than adequate for the most recent round of redemptions. With a combination of redemptions and declining values of the Fund's investments, net assets of the Fund are approximately 20% of their level in 2005 when the Fund was introduced.

Because the Fund provides exposure to U.S. securities, a currency hedging program is utilized to help protect against movements in the currency exchange rates and has done a good job of protecting against the strengthening Canadian dollar since inception. During the last half of 2008, there was a pronounced weakening of the Canadian dollar ("CAD\$") relative to the U.S. dollar ("US\$"); the US\$-to-CAD exchange rate stood at 0.81 on December 31, 2008, compared with 1.01 on December 31, 2007. The hedge detracted from returns due to the strengthening U.S. dollar during the year. The objective of the Fund's currency hedging program is to fully protect against currency gains and losses over the life of the Fund.

### **Results of Operations**

All Fund returns cited—whether based on net asset value ("NAV") or market price—assume the reinvestment of all distributions. For the 12 months ended December 31, 2008, return of the Fund's shares on an NAV basis was -1.04%, representing a change in NAV to \$18.37 on December 31, 2008, from \$20.15 on December 31, 2007. For the same period, the Fund provided a total return based on market price of 0.55%, representing a change in market price to \$16.61 on December 31, 2008, from \$18.10 on December 31, 2007.

During 2008, the Fund made a monthly distribution of \$0.110 per unit in January and distributions of \$0.135 in each month from February through December. It is important to remember that the Fund utilizes a unique structure which results in distributions to Unitholders being characterized as primarily a return of capital for tax purposes, making the distributions highly tax-efficient.

**Recent Developments**

The entire period since the Fund was introduced in June 2005 has proven to be a challenging environment for managing a portfolio of MBS. In the last few months of 2007, what appeared to be a correction in the U.S. housing market accelerated into a crisis in the mortgage market with profound implications for the entire U.S. economy and related effects on global markets and economies. As 2008 progressed, there was pronounced deterioration in global equity and debt markets. Credit markets became so intolerant of risk that they were essentially frozen at times.

In an effort to provide support for financial markets, the U.S. Federal Reserve Board (the "Fed") has lowered short-term interest rates nine times since September 2007 to the current target range of zero to 25 basis points, and the U.S. government has taken unprecedented actions, including instituting temporary insurance on money market funds, expanding access by financial institutions to the Fed's lending facilities, and direct investments in financial institutions by the U.S. Treasury Department. Government policies appear to have prevented a collapse of the financial system and have helped improve credit markets somewhat. But investors remain extremely wary of risk, and credit is not flowing well. A return to normalcy will require marked improvement in the interconnected issues of declining home prices, mounting credit losses, and eroding capital positions of financial institutions. In this very difficult environment, essentially all asset classes with any degree of credit risk produced negative returns for 2008.

The Partnership believes that the long-term prospects for the U.S. mortgage market are now reasonably positive. However, we believe that it will take additional time for financial markets to recover from the problems experienced over the last year.

In managing the MBS portfolio to which the Fund provides Unitholders with exposure, the Partnership continually reviews new investments that will enable the Fund to meet its objectives while staying within the limitations of the policies outlined in the Fund's prospectus.

**Future Accounting Standards**

In January 2009, the Emerging Issues Committee ("EIC") issued EIC-173 concluding that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The accounting treatment in this EIC will be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009, the date of issuance of the EIC.

**Related Party Transactions****Manager and Investment Manager**

Claymore Investments, Inc. ("Claymore"), a registered investment counsel and portfolio manager, is the manager of the Trust and is responsible for administration of the Trust. Claymore is a wholly-owned subsidiary of Claymore Group Inc., a financial services and asset management company based in the Chicago, Illinois area.

MFA Spartan II, LLC has been retained by Claymore to act as investment manager of the Partnership and will be responsible for making all investment decision relating to the MBS Portfolio. MFA Spartan II, LLC is an indirect, wholly-owned subsidiary of MFA Mortgage Investments, Inc., a self-advised, publicly traded real estate investment trust in the United States.

**Financial Highlights**

| <b>Net Assets per Unit</b>                                       | <b>Year ended<br/>December 31, 2008</b> | <b>Year ended<br/>December 31, 2007</b> | <b>Year ended<br/>December 31, 2006<br/>(restated) <sup>G</sup></b> | <b>Period ended<br/>December 31, 2005</b> |
|--|---|---|---|---|
| <b>Net Assets, beginning of the period</b>                       | \$ 20.10                                | \$ 20.43                                | \$ 21.48  | \$ 25.00                                  |
| <b>Increase (decrease) from operations:</b>                      |   |   |   |   |
| Total revenue  | —                                       | —                                       | —   | 0.01                                      |
| Total expenses   | (0.33)                                  | (0.34)                                  | (0.36)  | (0.20)                                    |
| Realized gains (losses) for the period                           | (0.03)                                  | 1.33                                    | (0.42)  | (0.40)                                    |
| Unrealized gains (losses) for the period                         | 0.38                                    | (0.09)                                  | 0.88  | (0.84)                                    |
| <b>Total increase (decrease) from operations <sup>A</sup></b>    | <b>0.02</b>                             | <b>0.90</b>                             | <b>0.10</b>   | <b>(1.43)</b>                             |
| <b>Distributions:</b>  |   |   |   |   |
| Return of capital  | (1.60)                                  | (1.32)                                  | (1.45)  | (0.74)                                    |
| <b>Total distributions <sup>B</sup></b>                          | <b>(1.60)</b>                           | <b>(1.32)</b>                           | <b>(1.45)</b>   | <b>(0.74)</b>                             |
| <b>Net Assets, end of period <sup>A</sup></b>                    | \$ 18.28                                | \$ 20.10                                | \$ 20.43  | \$ 21.48                                  |
| <b>Market Price, end of period</b>                               | \$ 16.61                                | \$ 18.10                                | \$ 20.00  | \$ 20.20                                  |
| <b>Ratios and Supplemental Data (Based on Net Asset Value)</b>   |   |   |   |   |
| Net asset value (\$000's) <sup>C</sup>                           | 27,576                                  | 46,608                                  | 62,798  | 108,854                                   |
| Number of units outstanding (000's) <sup>C</sup>                 | 1,501                                   | 2,313                                   | 3,073   | 5,068                                     |
| Management expense ratio <sup>D</sup>                            | 1.65%                                   | 1.68%                                   | 1.75%   | 1.61%                                     |
| Management expense ratio excluding offering expense <sup>D</sup> | 1.65%                                   | 1.68%                                   | 1.75%   | 1.53%                                     |
| Portfolio turnover rate <sup>E</sup>                             | 68.94%                                  | 18.47%                                  | 14.72%  | 38.25%                                    |
| Trading expense ratio <sup>F</sup>                               | 0.00%                                   | 0.00%                                   | 0.01%   | 0.00%                                     |
| Net asset value per Unit   | \$ 18.37                                | \$ 20.15                                | \$ 20.43  | \$ 21.48                                  |

This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for fund pricing purposes due to the following:

"Net Assets" reflect the value of securities at their closing bid/ask prices for long/short positions.

"Net Asset Value" reflects the value of securities at their last traded price.

See the complete annual financial statements for this fund for more information on "Net Assets" and "Net Asset Value"

- (A) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (B) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (C) The information is provided as of December 31 of the period shown.
- (D) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (E) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund. The rate is calculated based on the lesser of purchases or sales of securities by the average weighted market value of the portfolio securities, excluding short-term securities.
- (F) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (G) As the result of misclassification in MBS Limited Partnership, the December 31, 2006 Adjustable Rate MBS Trust financial statements have been restated. The impact to the per share amounts disclosed in the 2006 Financial Highlights was a decrease in Unrealized Gains from \$1.04 to \$0.88 and a decrease in the Net Assets, end of period from \$20.64 to \$20.43.

**Management Fees**

As a result of providing management and administration services, Claymore receives a monthly management fee based on the net assets of Adjustable Rate MBS Trust and the leveraged assets of the Partnership.

As a result of providing investment management services, MFA Spartan II, LLC receives a monthly management fee based on the average total assets of the Partnership.

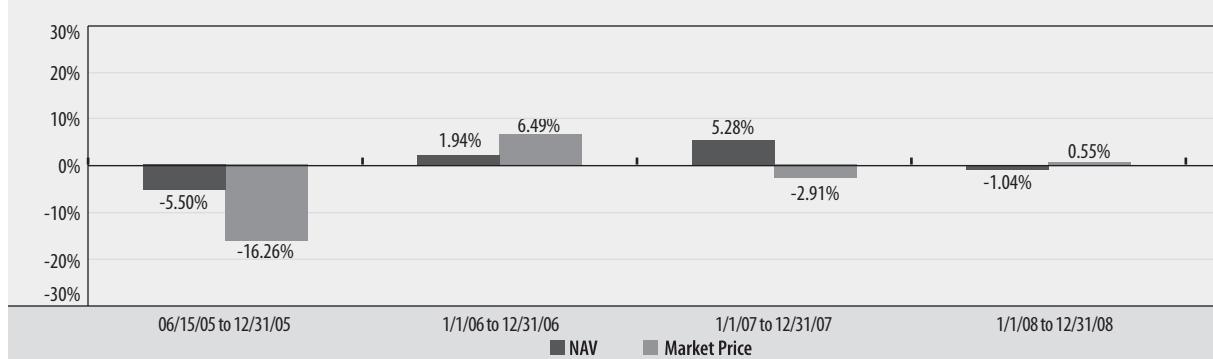
**Past Performance**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

**Year by Year Returns**

The following bar chart shows the Fund's performance for each of the periods indicated and illustrates how the fund's performance changed from period to period. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial period.

**Total Returns (Fiscal Year) (A)**



**Annual Compound Returns**

This table shows the Fund's historical annual compound total returns for the periods indicated, compared with the broad index, as described below.

| Average Annual Total Returns               | Past 1 year |        | Since Inception* |       |
|--|-------------|--------|------------------|-------|
|  | Market      | NAV    | Market           | NAV   |
| Adjustable Rate MBS Trust                  | 0.55%       | -1.04% | -3.85%           | 0.10% |
| Dow Jones Lehman Bond Composite U.S. Index |             | 5.15%  |                  | 4.77% |

\* Fund Inception: June 15, 2005

(A) As the result of a misclassification in MBS Limited Partnership, the December 31, 2006 Adjustable Rate MBS Trust financial statements have been restated. The impact to the 2006 Total Return at NAV was a decrease in the total return from 2.99% to 1.94%

The Dow Jones Lehman Bond Composite U.S. Index is a diversified, composite U.S. bond index consisting of three, equally-weighted indices: the Lehman U.S. Government Bond Index, the Lehman Investment Grade Corporate Bond Index and the Lehman Mortgage-Backed Bond Index.

# Adjustable Rate MBS Trust **Summary** | As of December 31, 2008

## Summary of Investment Portfolio as at December 31, 2008

| Sector Mix                       | % of Fund's<br>Net Asset Value | Top Issuers                    | % of Fund's<br>Net Asset Value |
|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Materials</b>                 | 30.7                           | Eldorado Gold Corp.            | 26.4                           |
| <b>Information Technology</b>    | 30.3                           | Celestica Inc.                 | 11.2                           |
| <b>Net Other Assets</b>          | 20.7                           | CGI Group Inc.                 | 10.5                           |
| <b>Consumer Discretionary</b>    | 8.0                            | Research In Motion Ltd.        | 8.5                            |
| <b>Industrials</b>               | 7.9                            | Westjet Airlines Ltd.          | 7.9                            |
| <b>Health Care</b>               | 1.7                            | Teck Cominco Ltd.              | 4.2                            |
| <b>Consumer Staples</b>          | 0.4                            | Gildan Activewear Inc.         | 4.2                            |
| <b>Cash and Cash Equivalents</b> | 0.3                            | RONA Inc.                      | 3.9                            |
|                                  | 100.0                          | MDS Inc.                       | 1.5                            |
|                                  |                                | Viterra Inc.                   | 0.4                            |
|                                  |                                | Cash and Cash Equivalents      | 0.3                            |
|                                  |                                | Angiotech Pharmaceuticals Inc. | 0.2                            |
|                                  |                                | Nortel Networks Corp.          | 0.1                            |
|                                  |                                |                                | 79.3                           |
|                                  |                                | <b>Total Net Asset Value</b>   | <b>\$27,576,190</b>            |

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund.

## Fund Information

### **Claymore Investments, Inc. Directors and Officers**

Som Seif  
*Chief Executive Officer,  
President and Director*

Chuck R. Craig  
*Chief Investment Officer  
and Director*

Bruce Albelda  
*Chief Financial Officer*

Kevin M. Robinson  
*Secretary*

J. Thomas Futrell  
*Director*

Michael J. Rigert  
*Vice President*

Matthew J. Patterson  
*Vice President*

Jeffrey D. Logan  
*Vice President*

David C. Hooten  
*Chairman of the  
Board of Directors*

### **Fund Advisory Board**

Douglas G. Hall  
Roman Friedrich III  
Randall C. Barnes

### **Custodian**

RBC Dexia Investor  
Services Trust

### **Auditors**

Ernst & Young LLP

### **Mailing Address**

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### **Website**

[www.claymoreinvestments.ca](http://www.claymoreinvestments.ca)