

# Respiratory/Pulmonary ETF

## NYSE:HHR

HealthShares™ Respiratory/Pulmonary ETF (HHR) is one in a series of HealthShares™ ETFs that are organized Vertically by therapeutic categories in pharmaceuticals, healthcare services, life sciences and biotechnology. HHR seeks investment results that correspond to the performance, before the Fund's fees and expenses, of HealthShares™ Respiratory/Pulmonary Index, an equity index of publicly traded common stocks and ADRs. The Respiratory/Pulmonary Index invests in healthcare, life sciences and/or biotechnology companies that have been identified as respiratory/pulmonary companies. Companies included in the Respiratory/Pulmonary Index are engaged in the research, development, and/or commercialization of therapeutic agents treating various respiratory and/or pulmonary diseases including, but not limited to, asthma, chronic obstructive pulmonary disease, emphysema, tuberculosis and pulmonary arterial

hypertension. The companies in this universe are selected using a proprietary methodology developed by XShares Group LLC designed to identify companies in a specific healthcare vertical or sub-sector.

HHR employs a low-cost passive management investment approach designed to track the performance of the HealthShares™ Respiratory/Pulmonary Index. Normal brokerage fees apply. HHR will generally invest at least 90% of its assets in common stocks of companies in the underlying Index.

HHR intends to pay out any dividends from its net investment income annually, and plans to distribute any net capital gains annually.

XShares Advisors LLC is the investment advisor for HHR. Bank of New York acts as custodian and administrator.

### ETF Information

Initial Share Price	\$25.00
IOPV* Ticker Symbol	HHR.IV
CUSIP	42226E208
NAV 3/31/07	\$26.01
Gross Expense Ratio	1.09%
Net Expense Ratio	0.75%
Inception Date	3/12/07

\*Indicative Optimized Portfolio Value.

The advisor has agreed to cap its fees to 0.75% through 9/30/2007.

### Index Information

Index Creator	XShares Group LLC
Inception Date	9/22/06
Investment Objective	Capital Appreciation
Reuters Index Symbol	.HSRESP

### Capitalization Weightings as of 3/21/07

Large-Cap	13.64%
Mid-Cap	50.00%
Small-Cap	36.36%
Average Market Cap (Mil. \$)	\$2,781

### Technical Data

Shares Outstanding	100,200
Market Capitalization	\$2,490,000
Beta	0.98
Treynor Ratio	0.11
Sharpe Ratio	0.44

- All calculations assume a Risk Free Rate of 4.5%
- Beta is measured against the S&P 500.
- All risk calculations are derived from the arithmetic mean of daily returns and assume 250 trading days per year.
- All risk calculations have been computed since 12/15/2000, the date the index was first calculated.
- Beta is a measure of relative risk and is the slope of regression. Sharpe is the risk adjusted return and is the return less the risk free rate divided by the standard deviation. Treynor is the risk adjusted return and is the return less the risk free rate divided by Beta.

### ETF Performance & Index History (%) (Through March 31, 2007)

		YTD	1 Year	3 Year	5 Year	Inception
Index	Index	-3.21%	20.34%	18.22%	20.29%	12.02%
	S&P 500 Healthcare Sector	0.42%	5.59%	3.83%	0.36%	-1.23%
ETF	NAV					3.62%
	After Tax Held					3.62%
	After Tax Sold					2.22%
	Share Price Return					0.86%

Performance data quoted represents past performance; past performance does not guarantee future results; and the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost; and current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance data call 800.925.2870.

Index performance does not represent fund performance. Indexes are unmanaged. You cannot invest in an index. A fund may perform significantly differently. Performance assumes dividend reinvestment; however these figures do not include management fees, transaction costs, taxes or other charges that would be incurred by a Fund or brokerage commissions in Fund shares, including transaction costs that a fund would incur. Such expenses and charges would reduce returns. Index returns are for illustrative purposes only and do not represent actual performance of HealthShares™ ETFs.

- The Inception date for the Indexes is September 22, 2006. The time period selected for the back tested data was for the 5 year period prior to the date that each Index was published. This 5 year time period was selected based upon general knowledge of the intense capital markets and merger activity within the healthcare and biotechnology industries. Pursuing a further back test would be less meaningful as many of the current constituents did not exist and many that may have qualified are no longer independent or currently traded. The Index Methodology used in the creation of the indexes can be found at www.healthsharesinc.com.
- The performance figures presented include "back tested data" (i.e. calculations of how an index might have been performed in the past if it had existed). Performance information prior to September 22, 2006 presented herein for the HealthShares™ Indexes is based on hypothetical back tested data for the specific time periods shown and was not calculated in real time by an independent calculation agent. Hypothetical back tested performance has inherent limitations. No representation is being made that any investment performance will achieve performance similar to those shown. All information is being provided strictly for educational and illustrative purposes only. The information provided is not intended for trading purposes, and should not be considered investment advice.

**An Investor should consider the fund's investment objective, risks, charges and expenses carefully before investing. For this and more complete information about the fund call 800.925.2870 or visit the website www.healthsharesinc.com for a prospectus. Please read the prospectus carefully before investing.**

There are risks involved with investing in ETFs including possible loss of money. HealthShares™ are not actively managed and are subject to risks similar to stocks, including those related to short selling and margin maintenance. HealthShares™ ETFs are subject to increased risks associated with investing in a specific sector compared to a more diversified investment, as well as unique risks associated with the healthcare and biotechnology sector (i.e., government regulation, patent regulation, etc.). The prospectus is not an offer to buy or sell the portfolio shares, nor is the fund soliciting an offer to buy its shares in any jurisdiction where the offer or sale is not permitted.

## Holdings\* as of 3/21/07



Weighting (%)	Name	Ticker	Exchange	Closing Price \$	Market Capitalization (Mil. \$)
5.1478	ACTELION LTD-REG	ATLN SW	SWX	238.34	\$5,443
4.4447	ADAMS RESPIRATORY THERAPEUTICS INC.	ARXT	NASDAQ	30.84	\$1,249
3.2955	ALNYLAM PHARMACEUTICALS INC	ALNY	NASDAQ	17.20	\$637
5.1833	ALTANA AG (ADR)	AAA	NYSE	64.30	\$9,301
5.3858	DISCOVERY LABORATORIES INC	DSCO	NASDAQ	2.13	\$160
4.6282	ENCYSIVE PHARMACEUTICALS INC	ENCY	NASDAQ	2.91	\$153
3.5526	INTERMUNE INC	ITMN	NASDAQ	24.44	\$856
3.0649	KING PHARMACEUTICALS	KG	NYSE	19.29	\$4,755
3.8055	KV PHARMACEUTICAL CO A	KV.A	NYSE	23.70	\$1,169
3.7656	MEDAREX INC	MEDX	NASDAQ	12.24	\$1,503
3.3477	MEDIMMUNE INC.	MEDI	NASDAQ	34.04	\$8,131
3.6116	NEKTAR THERAPEUTICS	NKTR	NASDAQ	12.15	\$1,119
6.9706	NICOX SA	COX FP	EURONEXT PARIS	22.73	\$1,146
4.7366	PHARMAXIS LTD-GDR	PXSL	NASDAQ	42.25	\$500
3.1044	RESPIRONICS INC	RESP	NASDAQ	40.32	\$3,338
4.4941	SEPRACOR INC.	SEPR	NASDAQ	46.76	\$5,211
6.0359	SHIRE PLC (ADR)	SHPGY	NASDAQ	64.60	\$11,772
4.6573	SKYEPHARMA PLC-SPONS ADR	SKYE	NASDAQ	4.05	\$307
2.4982	TANOX INC	TNOX	NASDAQ	18.35	\$846
3.1118	THERAVANCE INC	THRX	NASDAQ	29.86	\$1,788
3.5132	UNITED THERAPEUTICS CORP	UTHR	NASDAQ	56.28	\$1,197
11.6446	VECTURA GROUP PLC	VEC LN	LSE	1.77	\$551

\*Holdings are subject to change without notice. Maximum weighting for any security in an Underlying Index is typically 15%. When a company's weighting exceeds 15% of the overall Index portfolio, the Index Administrator will reduce such company's weighting to 10%, with the 5% "excess" applied equally to all remaining component securities in the Underlying Index. Minimum weighting for a security in an Underlying Index is 2.5%, if a security's weighting falls below 2.5%, the Index Administrator will increase the security's weighting to its initial weighting or 5%, whichever is less, with the required increment taken equally from all the remaining component securities.

## EXCHANGE TRADED FUND INFORMATION



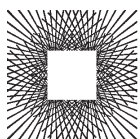
### WHAT ARE EXCHANGE TRADED FUNDS ?

An exchange traded fund (ETF) is an investment vehicle which offers shares that are listed on a national securities exchange. Shares of ETFs can be traded throughout the day on that stock exchange at market-determined prices. ETFs typically invest predominantly in the securities of companies comprising an underlying index. As such, the ETF itself is an index fund.

Because ETFs are priced and traded throughout the day like a stock, investors can buy or sell shares at any time during market trading hours of the exchange on which they trade. Just as with any common stock, investors can write stop losses and market orders. Brokerage commissions may apply. In general, ETFs feature low expense ratios and are tax efficient. ETFs can also be constructed to allow for options trading. ETFs are subject to risks similar to those of stocks including those regarding short-selling and margin account maintenance.

### HOW CAN INVESTORS PURCHASE HEALTHSHARES™ ETFs ?

Any investor can purchase or sell ETFs on the secondary market through a broker. When you buy or sell ETFs on the secondary market, your broker can charge a commission. In addition, because secondary-market transactions occur at market prices, you may pay more than Net Asset Value (NAV) when you buy ETFs, and receive less than NAV when you sell those ETFs.



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