

# Composite ETF

# NYSE:HHQ

HealthShares™ Composite ETF (HHQ) is one in a series of HealthShares™ ETFs that are organized by therapeutic categories in pharmaceuticals, healthcare services, life sciences and biotechnology. HHQ seeks investment results that correspond to the performance, before the Fund's fees and expenses, of HealthShares™ Composite Index, an equity index of publicly traded common stocks and ADRs. The Composite Index invests in healthcare, life sciences and/or biotechnology companies that have been included in the HealthShares™ Autoimmune-Inflammation Index, the HealthShares™ Cancer Index, the HealthShares™ Cardio Devices Index, the HealthShares™ Cardiology Index, the HealthShares™ Dermatology and Wound Care Index, the HealthShares™ Diagnostics Index, the HealthShares™ Emerging Cancer Index, the HealthShares™ Enabling Technologies Index, the HealthShares™ GI/Gender Health Index, the HealthShares™ Infectious Disease Index, the HealthShares™ Metabolic-Endocrine Disorders Index, the HealthShares™ Neuroscience Index, the HealthShares™

Ophthalmology Index, the HealthShares™ Orthopedic Repair Index, the HealthShares™ Patient Care Services Index and the HealthShares™ Respiratory/Pulmonary Index (collectively, the "Composite Eligible Indexes") by the Index Administrator and therefore are included in the HealthShares™ Composite Index. The HealthShares™ Composite Index will consist of the 80 largest companies by market capitalization that are part of the Composite Eligible Indexes.

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

HHQ 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 HHQ. Bank of New York acts as custodian and administrator.

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

	YTD	1 Year	3 Year	5 Year	Inception
<b>Index</b>					
Index	3.92%	10.97%	14.11%	17.29%	13.06%
S&P 500 Healthcare Sector	0.42%	5.59%	3.83%	0.36%	-1.23%
<b>ETF</b>					
NAV					3.39%
After Tax Held					3.39%
After Tax Sold					2.08%
Share Price Return					2.05%

**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](http://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](http://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.

## ETF Information

<b>Initial Share Price</b>	<b>\$25.00</b>
<b>IOPV* Ticker Symbol</b>	<b>HHQ.IV</b>
<b>CUSIP</b>	<b>42226E760</b>
<b>NAV 3/31/07</b>	<b>\$25.89</b>
<b>Gross Expense Ratio</b>	<b>1.09%</b>
<b>Net Expense Ratio</b>	<b>0.75%</b>
<b>Inception Date</b>	<b>3/12/07</b>

\*Indicative Optimized Portfolio Value.

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

## Index Information

<b>Index Creator</b>	<b>XShares Group LLC</b>
<b>Inception Date</b>	<b>9/22/06</b>
<b>Investment Objective</b>	<b>Capital Appreciation</b>
<b>Reuters Index Symbol</b>	<b>.HSCOMP</b>

## Capitalization Weightings as of 3/21/07

<b>Large-Cap</b>	<b>16.25%</b>
<b>Mid-Cap</b>	<b>78.75%</b>
<b>Small-Cap</b>	<b>5.00%</b>
<b>Average Market Cap (Mil. \$)</b>	<b>\$4,873</b>

## Technical Data

<b>Shares Outstanding</b>	<b>100,200</b>
<b>Market Capitalization</b>	<b>\$2,544,000</b>
<b>Beta</b>	<b>0.79</b>
<b>Treynor Ratio</b>	<b>0.13</b>
<b>Sharpe Ratio</b>	<b>0.58</b>

- 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.

## Top 25 Holdings\* (by Market Capitalization) as of March 21, 2007



Weighting (%)	Name	Ticker	Exchange	Closing Price \$	Market Capitalization (Mil. \$)
1.2423	ACTELION LTD-REG	ATLN SW	SWX	238.34	\$5,443
1.2564	ALLERGAN, INC.	AGN	NYSE	112.70	\$17,328
1.2606	ALTANA AG (ADR)	AAA	NYSE	64.30	\$9,301
1.2445	APPLERA CORP-APPLIED BIOSYSTEMS GROUP	ABI	NYSE	29.97	\$5,617
1.2438	BARD (C.R.) INC.	BCR	NYSE	80.65	\$8,282
1.2749	CELGENE CORP.	CELG	NASDAQ	54.64	\$20,603
1.2488	DAVITA INC	DVA	NYSE	53.36	\$5,596
1.2393	ELAN CORPORATION PLC (ADR)	ELN	NYSE	13.03	\$6,252
1.2550	FRESENIUS MEDICAL CARE AG (ADR)	FMS	NYSE	49.05	\$13,644
1.2554	H LUNDBECK A/S	LUN DC	COPENHAGEN	29.65	\$6,284
1.2439	HEALTH NET, INC.	HNT	NYSE	55.62	\$6,233
1.2597	HOSPIRA INC.	HSP	NYSE	40.06	\$6,196
1.2443	LABORATORY CORP OF AMERICA HOLDING	LH	NYSE	71.75	\$8,809
1.2867	MEDIMMUNE INC.	MEDI	NASDAQ	34.04	\$8,131
1.2416	MERCK SERONO SA (ADR)	SRA	NYSE	22.77	\$13,786
1.2289	SCHWARZ PHARMA AG	SRZ GY	XETRA	144.64	\$6,864
1.2415	SEPRACOR INC.	SEPR	NASDAQ	46.76	\$5,211
1.2485	SHIRE PLC (ADR)	SHPGY UQ	NASDAQ	64.60	\$11,772
1.2522	SIGMA-ALDRICH	SIAL	NASDAQ	41.97	\$5,511
1.2546	SMITH & NEPHEW PLC (ADR)	SNN	NYSE	63.91	\$11,869
1.2483	SOLVAY SA	SOLB BB	EURONEXT BRUSSELS	149.59	\$12,694
1.2538	ST JUDE MEDICAL	STJ	NYSE	38.38	\$13,436
1.2310	VARIAN MEDICAL SYSTEMS	VAR	NYSE	48.26	\$6,182
1.2440	WATERS CORPORATION	WAT	NYSE	57.65	\$5,896
1.2234	ZIMMER HOLDINGS	ZMH	NYSE	87.02	\$20,574

\*Holdings are subject to change without notice. Maximum weighting for any security in the Composite Index is 5%. When a company's weighting exceeds 5% of the overall index portfolio, the Index Administrator will reduce such company's weighting to 2.5%, with the 2.5% "excess" applied equally to all remaining component securities in the Composite Index. Minimum weighting for a security in the Composite Index is 0.1%. If a security's weighting falls below 0.1%, the Index Administrator will increase the security's weighting to its initial weighting or 1.25%, whichever is less, with the required increment taken equally from all remaining component securities. Go to [www.healthsharesinc.com](http://www.healthsharesinc.com) for a complete list of constituents.

## EXCHANGE TRADED FUND INFORMATION



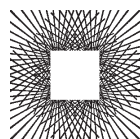
### WHAT ARE EXCHANGE TRADED FUNDS ?

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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