

HealthSharesTM, Inc.

Prospectus

January 23, 2007

HealthSharesTM Asian Health Exchange-Traded Fund
HealthSharesTM Autoimmune-Inflammation Exchange-Traded Fund
HealthSharesTM Cancer Exchange-Traded Fund
HealthSharesTM Cardio Devices Exchange-Traded Fund
HealthSharesTM Cardiology Exchange-Traded Fund
HealthSharesTM Dermatology and Wound Care
Exchange-Traded Fund
HealthSharesTM Diagnostics Exchange-Traded Fund
HealthSharesTM Emerging Cancer Exchange-Traded Fund
HealthSharesTM Enabling Technologies Exchange-Traded Fund
HealthSharesTM European Drugs Exchange-Traded Fund
HealthSharesTM European Medical Products and Devices
Exchange-Traded Fund
HealthSharesTM GI/Gender Health Exchange-Traded Fund
HealthSharesTM Infectious Disease Exchange-Traded Fund
HealthSharesTM Metabolic-Endocrine Disorders Exchange-Traded
Fund
HealthSharesTM Neuroscience Exchange-Traded Fund
HealthSharesTM Ophthalmology Exchange-Traded Fund
HealthSharesTM Orthopedic Repair Exchange-Traded Fund
HealthSharesTM Patient Care Services Exchange-Traded Fund
HealthSharesTM Respiratory/Pulmonary Exchange-Traded Fund
HealthSharesTM Composite Exchange-Traded Fund

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

HealthShares™, Inc. is an investment company with 20 series of underlying fund portfolios. Each Fund offers shares, known as HealthShares™ that are listed on the New York Stock Exchange. HealthShares™ are not individually redeemable by the Funds but trade on the New York Stock Exchange in individual share lots. *At this time, only shares of HealthShares™ Cardio Devices Exchange-Traded Fund, HealthShares™ Diagnostics Exchange-Traded Fund, HealthShares™ Emerging Cancer Exchange-Traded Fund, HealthShares Enabling Technologies Exchange-Traded Fund, and HealthShares Patient Care Services Exchange-Traded Fund are being offered.*

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INTRODUCTION

This Prospectus provides important information you need to make an informed decision about whether to invest in HealthShares™, Inc. (the “Company”). It contains information about the Company, each of its investment portfolios (the “Funds”) and the shares of the Funds being offered by this Prospectus, known as HealthShares™. An investment in the Funds is not a deposit in a bank and it is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.

WHAT ARE EXCHANGE-TRADED FUNDS?

An exchange-traded fund (“ETF”) is an investment company which offers shares that are listed on a national securities exchange. Shares of ETFs, because they are listed on a stock exchange, 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.

WHAT IS HEALTHSHARES™, INC.?

HealthShares™, Inc. is an investment company with 20 series of underlying fund portfolios. Each Fund offers shares, known as HealthShares™ that are listed on the New York Stock Exchange (“NYSE”). HealthShares™ are not individually redeemable by the Funds but trade on the NYSE in individual share lots. Each Fund seeks to invest in a portfolio of securities that substantially replicates a particular benchmark index (the “Underlying Index”). XShares Advisors LLC (the “Advisor”) serves as the investment adviser to each Fund.

WHAT ARE THE UNDERLYING INDEXES AND HOW ARE THEY CREATED AND MAINTAINED?

Each of the Underlying Indexes seeks to measure and monitor the performance of publicly-listed healthcare, life sciences and biotechnology companies. Each Fund focuses on a different healthcare, life sciences or biotechnology index. XShares Group LLC (“XShares Group”), the parent of the Advisor, is the creator of each Underlying Index and has created each Underlying Index using a patent-pending investment approach known as “Vertical Investing.” “Vertical Investing” seeks to categorize companies within a particular healthcare, life sciences or biotechnology index by focusing on each company’s business activities with regard to the diagnosis of diseases, the developments of drugs, treatments, therapies, delivery systems, and the development of enabling/research tools and technologies for use in the healthcare, life sciences or biotechnology sectors.

The Underlying Indexes have been designed around verticals in each of the following areas:

- 1) Asian Health
- 2) Autoimmune – Inflammation
- 3) Cancer
- 4) Cardio Devices
- 5) Cardiology
- 6) Dermatology and Wound Care
- 7) Diagnostics
- 8) Emerging Cancer
- 9) Enabling Technologies
- 10) European Drugs
- 11) European Medical Products and Devices
- 12) GI/Gender Health
- 13) Infectious Disease
- 14) Metabolic-Endocrine Disorders
- 15) Neuroscience
- 16) Ophthalmology
- 17) Orthopedic Repair
- 18) Patient Care Services
- 19) Respiratory/Pulmonary
- 20) Composite

Each Fund is focused on one of these vertical indexes and will provide both institutional and retail investors with the ability to invest in the complex and rapidly evolving sectors of healthcare, life sciences and biotechnology. Based on its own proprietary intellectual model, XShares Group has established specific, defined characterization/inclusion/exclusion criteria (the “Index Methodology”) that an issuer must meet in order to be included in an Underlying Index. Each Underlying Index will be administered by Standard & Poor’s, the Index Administrator, which will employ the Index Methodology to determine the composition of each Underlying Index. BNY Investment Advisors acts as the investment sub-adviser to the Funds and will be responsible for the day-to-day management of each Fund’s portfolio, which involves principally reconfiguring the portfolio of each Fund, typically quarterly, to reflect any reconfiguration in the Underlying Index by the Index Administrator.

When determining the composition of each Underlying Index, the Index Administrator relies on many sources of information, including information

obtained from the BioCentury and MedTrack databases. The BioCentury and MedTrack databases are independent, generally available databases that provide a vast amount of data for healthcare, life sciences and biotechnology companies, including information regarding products, clinical trials, pipeline development, patent and other information.

For each Underlying Index, the Index Administrator will employ the Index Methodology for each Underlying Index to identify the companies that satisfy these criteria. The Index Methodology is publicly available on the Funds' website at www.healthsharesinc.com. Any change to the Index Methodology will be posted on the Funds' website at least 60 days prior to its being implemented. For each Underlying Index, except those noted below, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. For the Asian Healthcare Index, the Cardio Devices Index, the Orthopedic Repair Index and the Composite Index, the market capitalization range is from \$100 million to \$20 billion. For the Enabling Technologies Index and the European Medical Products and Devices Index, the market capitalization range is from \$100 million to \$10 billion. For the Patient Care Services Index, the market capitalization range is from \$350 million to \$15 billion. Typically, the largest of these companies (determined by market capitalization) are included in an Underlying Index, with a minimum of 22 companies in each Underlying Index. The initial companies selected for inclusion are weighted equally at inception, and are thereafter weighted based upon the individual company's market value relative to the overall market value of the relevant Underlying Index (*i.e.*, price weighted). Maximum weighting for any security in an Underlying Index is typically 15%. When a company's weighting exceeds 15% of the Underlying Index, 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. Information about each Underlying Index, including the component securities in each Underlying Index and value of the securities in each Underlying Index are posted throughout the

trading day every 15 seconds and are available through Reuters under the following symbols:

HealthShares™ Asian Healthcare Index	HSASIH
HealthShares™ Autoimmune-Inflammation Index	HSAUTO
HealthShares™ Cancer Index	HSTOPC
HealthShares™ Cardio Devices Index	HSCRDV
HealthShares™ Cardiology Index	HSCARD
HealthShares™ Dermatology and Wound Care Index	HSDEWC
HealthShares™ Diagnostics Index	HSDIAG
HealthShares™ Emerging Cancer Index	HSMIDC
HealthShares™ Enabling Technologies Index	HSEMAT
HealthShares™ European Drugs Index	HSEURD
HealthShares™ European Medical Products and Devices Index	HSEUMP
HealthShares™ GI/Gender Health Index	HSURGH
HealthShares™ Infectious Disease Index	HSINFD
HealthShares™ Metabolic-Endocrine Disorders Index	HSMETE
HealthShares™ Neuroscience Index	HSNEUR
HealthShares™ Ophthalmology Index	HSOPHT
HealthShares™ Orthopedic Repair Index	HSORTR
HealthShares™ Patient Care Services Index	HSPACS
HealthShares™ Respiratory/Pulmonary Index	HSRESP
HealthShares™ Composite Index	HSCOMP

HOW ARE HEALTHSHARES™ DIFFERENT FROM TRADITIONAL MUTUAL FUND SHARES?

Traditional mutual fund shares are issued by, and redeemed from, a fund at any time for cash at the shares' net asset value (NAV). NAV is typically calculated only once a day and reflects a fund's total assets, less its liabilities, divided by the number of shares it has outstanding. In determining the value of its assets, a traditional mutual fund typically values its underlying securities as of the close of trading on the NYSE. As a result, no matter what time during the day an investor in a traditional mutual fund places an order to purchase or redeem shares, that investor's order will be priced at that fund's NAV determined as of the close of trading of the NYSE. Traditional mutual fund shares may be purchased from the fund directly by the shareholder or through a financial intermediary.

In contrast, HealthShares™ cannot be purchased from, or redeemed by, the issuing Fund except by or through a Participating Organization (defined below), and then only for an in-kind basket of securities. An organized secondary market is expected to exist for the HealthShares™, unlike traditional mutual fund

shares, because HealthShares™ are listed for trading on the NYSE. As a result, investors can purchase and sell HealthShares™ on the secondary market through a broker. Secondary-market transactions do not take place at NAV but at market prices that change throughout the day, based on the supply of, and demand for, HealthShares™. Shareholders will also incur typically brokerage and transaction costs when buying or selling HealthShares™ on the secondary market.

Although the market price of HealthShares™ typically approximates its NAV, there may be times when the market price and the NAV differ, so you may receive more or less than NAV when you sell your HealthShares™ on the secondary market. Also, it is possible that an active trading market may not be maintained.

BUYING AND SELLING YOUR HEALTHSHARES™

Each Fund issues and redeems shares only in lots of 100,000 shares*. These lots are known as Creation Units. To purchase or redeem a Creation Unit, you must be a Participating Organization or you must do so through a broker that is a Participating Organization. A Participating Organization is a firm that is either a member of the Continuous Net Settlement System of the National Securities Clearing Corporation (NSCC) or a Depository Trust Company (DTC) participant that has executed a Participant Agreement with the Funds' distributor, ALPS Distributors, Inc. (the "Distributor"). The Distributor will provide a list of Participating Organizations upon request. Because Creation Units can be purchased or redeemed only in exchange for a basket of securities likely to cost millions of dollars, it is expected that only a limited number of institutional investors will purchase and redeem shares directly with the Funds. Thus, certain information in this Prospectus (*e.g.*, information about purchasing and redeeming HealthShares™ directly from a Fund and references to transaction fees imposed on purchases and redemptions of Creation Units) is not relevant to most retail investors. These arrangements are designed to protect shareholders of the Funds from the potentially adverse effects that may be caused by the need to make frequent purchases and sales of portfolio securities as a result of cash inflows and outflows, as experienced in a traditional mutual fund. For example, in a traditional mutual fund, redemptions can result in adverse tax consequences on non-redeeming taxable shareholders because the mutual fund must sell portfolio securities to raise cash to pay redemptions. These

* Except for the Asian Health Exchange-Traded Fund which issues and redeems shares only in lots of 200,000 shares.

sales may generate taxable capital gains which are then distributed to all shareholders, including non-redeeming shareholders. In contrast, the in-kind redemption mechanism of the Funds will enable the Funds to meet redemption requests without the need to sell portfolio securities and, as a result, redemptions from the Funds will generally not have any tax impact on the non-redeeming shareholders. EXCEPT WHEN AGGREGATED IN CREATION UNITS, HEALTHSHARES™ ARE NOT REDEEMABLE SECURITIES OF THE FUNDS.

Any investor may purchase HealthShares™ on the secondary market through a broker. HealthShares™ are publicly traded on the NYSE. To acquire HealthShares™, you must have a brokerage account. If you want to sell HealthShares™, you must do so through your broker. When you buy or sell HealthShares™ on the secondary market, your broker will charge a commission. In addition, because secondary-market transactions occur at market prices, you may pay more than NAV when you buy HealthShares™, and receive less than NAV when you sell those HealthShares™.

OVERVIEW OF THE INVESTMENT OBJECTIVES AND STRATEGIES OF THE FUNDS

Each Fund's investment objective is to seek to track the performance, before fees and expenses, of a particular Underlying Index. The Advisor uses a passive, or indexing, approach in managing the Funds. Unlike many mutual funds, the Funds do not seek to outperform any particular market sector and will not assume temporary defensive positions when markets decline or appear overvalued. Each Fund will invest at least 90% of its assets in the common stocks of companies in the Underlying Index, or in American Depositary Receipts ("ADRs") or Global Depositary Receipts ("GDRs") based on securities of international companies in the Underlying Index. Because each Underlying Index, with the exception of HealthShares™ Composite Index, is comprised only of stocks as indicated by its name (*e.g.*, only "diagnostics" companies are contained in the HealthShares™ Diagnostics Index), this means that each Fund will invest at least 90% of its assets in such companies. The Funds will provide shareholders with at least 60 days' notice of any change in these policies. Each Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the Investment Company Act of 1940, as amended (the "1940 Act")). Each Fund will attempt to replicate the Underlying Index by matching the weighting of securities in its portfolio with such securities'

weightings in the Underlying Index. In managing the Funds, the Advisor seeks a correlation of 0.95 or better between each Fund's performance and the performance of the Underlying Index. A figure of 1.00 would represent perfect correlation. There is no guarantee that the Advisor will be able to obtain this level of correlation.

From time to time, it may not be possible, for regulatory or other legal reasons, to replicate the Underlying Index and in such cases the Advisor may pursue a sampling strategy in managing the portfolio. Pursuant to this strategy, a Fund may invest the remainder of its assets in securities of companies not included in an Underlying Index if the Advisor believes that such securities will assist the Fund in tracking the Underlying Index. If a Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of the companies in the Underlying Index. See "Additional Information About The Funds, Their Principal Strategies And Related Risks" for more information about the use of a sampling strategy.

Limitations and restrictions on the level of investment in securities that are discussed in this Prospectus and that are expressed in terms of percentage limitations are measured at the time of investment, unless specifically indicated otherwise. Changes in market values that cause a percentage limitation to be exceeded will not necessarily require that securities be sold.

The following is a summary of the principal investment policies, strategies and risks of each of the Funds. Further information about the Funds and their risks can be found in "Additional Information About the Funds, Their Principal Strategies and Related Risks" in this Prospectus and in the Statement of Additional Information.

HealthShares™ Asian Health Exchange-Traded Fund

Trading Symbol:	HRG
CUSIP Number:	42226E 77 8
Underlying Index (Symbol):	HealthShares™ Asian Healthcare Index (HSASIH)
Inception Date:	To be determined

The HealthShares™ Asian Health Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Asian Healthcare Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Asian Healthcare Index, an index of foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “Asian Health” companies by the Index Administrator and therefore are included in the HealthShares™ Asian Healthcare Index. An Asian Health company is a company headquartered in Japan, China, India, South Korea, Taiwan, Singapore, Thailand, Malaysia, Indonesia, Philippines or Hong Kong. Additionally, the company must be quoted on at least one Asian Stock Exchange, excluding all issuers listed solely on the Osaka Stock Exchange and all issuers that are foreign corporate subsidiaries of North American, Australian or European issuers. The issuers must be engaged in the research/clinical development/manufacturing/and commercialization of pharmaceutical products, the in vivo or in vitro diagnostic identification and analysis of disease in humans, or the research, development, manufacture, distribution and commercialization of medical devices and/or products for the treatment or amelioration of human disorders and diseases.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of Asian companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of Asian health companies, this means that the Fund will invest at least 90% of its assets in Asian health companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Underlying Index is expected to contain a substantial weighting in Japanese companies. As a result, the Fund can also be expected to maintain a substantial weighting in Japanese companies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash

equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$20 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology

companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *geographic concentration and emerging market risk*. The Fund will invest substantially all of its assets in the securities of companies located in Asia and therefore will be impacted by events and conditions impacting the Asian region to a greater extent than a fund that does not focus its investments in Asia. For example, political and economic conditions and changes in regulatory, tax, or economic policy in an Asian country could significantly affect the market in that country and in surrounding or related countries. The Asian economies are in all stages of economic development. The majority of the economies in the region can be characterized as either developing or newly industrialized. The Fund is also subject to risk particular to the Japanese economy, which has only recently emerged from a prolonged economic downturn. Certain Asian countries in which the Fund may invest are considered to be emerging market countries and therefore the Fund is subject to *emerging market risk*. Emerging market countries are countries that the World Bank or the United Nations considers to be emerging or developing. Emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries.

- The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide “circuit breakers” halts stock trading generally.
- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)

Annual Fund Operating Expenses

(expenses deducted from the Fund's assets)

Advisory Fee(2): .....	.95%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.29%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5): .....	.95%

(1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.

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- (2) *The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Adviser" under "Fund Management".*
 - (3) *The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.*
 - (4) *"Other Expenses" are based on estimated amounts for the current fiscal year.*
 - (5) *The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.95% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.*

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$100	\$431

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 200,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is

charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$10,000,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$10,000,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$99,750	\$431,270

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Autoimmune-Inflammation Exchange-Traded Fund

Trading Symbol:	HHA
CUSIP Number:	42226E 88 5
Underlying Index (Symbol):	HealthShares™ Autoimmune-Inflammation Index (HSAUTO)
Inception Date:	To be determined

The HealthShares™ Autoimmune-Inflammation Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Autoimmune-Inflammation Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Autoimmune-Inflammation Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “autoimmune-inflammation” companies by the Index Administrator and therefore are included in the HealthShares™ Autoimmune-Inflammation Index. An Autoimmune-Inflammation company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of inflammatory diseases such as osteoarthritis and autoimmune disorders including, but not limited to, rheumatoid arthritis, allergies, multiple sclerosis, psoriasis and lupus.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of autoimmune-inflammation companies, this means that the Fund will invest at least 90% of its assets in autoimmune-inflammation companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the

Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products

may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses <i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.
HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS

ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Cancer Exchange-Traded Fund

Trading Symbol:	HHK
CUSIP Number:	42226E 30 7
Underlying Index (Symbol):	HealthShares™ Cancer Index (HSTOPC)
Inception Date:	To be determined

The HealthShares™ Cancer Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Cancer Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Cancer Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “cancer” companies by the Index Administrator and therefore are included in the HealthShares™ Cancer Index. A Cancer company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of cancers. Companies in this index generally include those with substantial revenues and significant research and development programs.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of cancer companies, this means that the Fund will invest at least 90% of its assets in cancer companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of

its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life

sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Cardio Devices Exchange-Traded Fund

Trading Symbol:	HHE
CUSIP Number:	42226E 83 6
Underlying Index (Symbol):	HealthShares™ Cardio Devices Index (HSCRDV)
Inception Date:	January 23, 2007

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Cardio Devices Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Cardio Devices Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “cardio devices” companies by the Index Administrator and therefore are included in the HealthShares™ Cardio Devices Index. A Cardio Device company is a company involved in the manufacture, distribution, and commercialization of medical devices for the treatment of cardiac, vascular, and endovascular disorders and diseases, including but not limited to stents, valves, patches, pumps, defibrillators, pacemakers, sutures and sensors/chips.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of cardio devices companies, this means that the Fund will invest at least 90% of its assets in cardio devices companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$20 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least

90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life

sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund is new and began operations on January 23, 2007, so performance information for a full calendar year is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Cardiology Exchange-Traded Fund

Trading Symbol:	HRD
CUSIP Number:	42226E 86 9
Underlying Index (Symbol):	HealthShares™ Cardiology Index (HSCARD)
Inception Date:	To be determined

The HealthShares™ Cardiology Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Cardiology Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Cardiology Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “cardiology” companies by the Index Administrator and therefore are included in the HealthShares™ Cardiology Index. A Cardiology company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of cardiological indications including, but not limited to, atherosclerosis, coronary artery disease, congestive heart failure, stroke, hypertension, thrombosis and restenosis.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of cardiology companies, this means that the Fund will invest at least 90% of its assets in cardiology companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend

yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological

developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund’s operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Dermatology and Wound Care Exchange-Traded Fund

Trading Symbol:	HRW
CUSIP Number:	42226E 50 5
Underlying Index (Symbol):	HealthShares™ Dermatology and Wound Care Index (HSDEWC)
Inception Date:	To be determined

The HealthShares™ Dermatology and Wound Care Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Dermatology and Wound Care Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Dermatology and Wound Care Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “dermatology and wound care” companies by the Index Administrator and therefore are included in the HealthShares™ Dermatology and Wound Care Index. A Dermatology and Wound Care company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of skin disorders by topical or systemic means. Targeted diseases include, but are not limited to, acne, rosacea, psoriasis, genital warts and atopic dermatitis.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of dermatology and wound care companies, this means that the Fund will invest at least 90% of its assets in dermatology and wound care companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or

below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and

internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.

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- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
 - The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund’s operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Diagnostics Exchange-Traded Fund

Trading Symbol:	HHD
CUSIP Number:	42226E 10 9
Underlying Index (Symbol):	HealthShares™ Diagnostics Index (HSDIAG)
Inception Date:	January 23, 2007

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Diagnostics Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Diagnostics Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “diagnostics” companies by the Index Administrator and therefore are included in the HealthShares™ Diagnostics Index. A Diagnostics company is a company involved in the identification of the existence and extent of a disease, the visual localization of a disease by way of imaging, the selection of therapeutic agents appropriate for the disease wherever possible and the monitoring of disease progression/therapeutic efficacy.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised only of stocks of diagnostics companies, this means that the Fund will invest at least 90% of its assets in diagnostics companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of the companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies

in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market

prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.

- The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
- The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund is new and began operations on January 23, 2007, so performance information for a full calendar year is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating

Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5): .....	.75%

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would

incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Emerging Cancer Exchange-Traded Fund

Trading Symbol:	HHJ
CUSIP Number:	42226E 40 6
Underlying Index (Symbol):	HealthShares™ Emerging Cancer Index (HSMIDC)
Inception Date:	January 23, 2007

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Emerging Cancer Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Emerging Cancer Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “emerging cancer” companies by the Index Administrator and therefore are included in the HealthShares™ Emerging Cancer Index. An Emerging Cancer company is a mid-sized company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of cancers. Companies in this index generally include those with some level of revenues, or those on the verge of revenues with significant but focused research and development programs.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of emerging cancer companies, this means that the Fund will invest at least 90% of its assets in emerging cancer companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth

rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange

(NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.

- The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
- The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund is new and began operations on January 23, 2007, so performance information for a full calendar year is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund

for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in

other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Enabling Technologies Exchange-Traded Fund

Trading Symbol:	HHV
CUSIP Number:	42226E 78 6
Underlying Index (Symbol):	HealthShares™ Enabling Technologies Index (HSENAI)
Inception Date:	January 23, 2007

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Enabling Technologies Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Enabling Technologies Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “enabling technologies” companies by the Index Administrator and therefore are included in the HealthShares™ Enabling Technologies Index. An Enabling Technologies company is a company that provides technology products and/or services that enable and support the discovery, clinical development and manufacturing activities of pharmaceutical and biotechnology companies, including but not limited to genomics, proteomics and high put screening.⁽²⁾

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of enabling technologies companies, this means that the Fund will invest at least 90% of its assets in enabling technologies companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the

(2) Genomics is the field of science that studies the entire DNA sequence of an organism’s genome. Proteomics, a term used in the study of genetics, refers to all the proteins expressed by a genome and involves the identification of proteins in the body and the determination of their role in physiological and pathophysiological functions. High throughput screening is an approach for finding new drugs which looks for chemicals that act on a particular enzyme of a molecule.

composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$10 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and

biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.

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- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
 - The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund is new and began operations on January 23, 2007, so performance information for a full calendar year is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ European Drugs Exchange-Traded Fund

Trading Symbol:	HRJ
CUSIP Number:	42226E 81 0
Underlying Index (Symbol):	HealthShares™ European Drugs Index (HSEURD)
Inception Date:	To be determined

The HealthShares™ European Drugs Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ European Drugs Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ European Drugs Index, an index of foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “European drug” companies by the Index Administrator and therefore are included in the HealthShares™ European Drugs Index. A European Drug company is a company headquartered in Europe and quoted on at least one European Stock Exchange that is involved in the research/clinical development/manufacturing/ and commercialization of pharmaceutical products, small molecule/chemical moieties, biologics (proteins, peptides, oligonucleotides, and cell/gene therapies) and vaccines, in all therapeutic categories, primarily intended for humans.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of European drug companies, this means that the Fund will invest at least 90% of its assets in European drug companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend

yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological

developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *geographic concentration risk*. The Fund will invest all of its assets in the securities of European drug companies and therefore will be impacted by events and conditions impacting the European region to a greater extent than a fund that does not focus its investments in Europe. For example, political and economic conditions and changes in regulatory, tax, or economic policy in a European country could significantly affect the market in that country and in surrounding or related countries.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses <i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.95%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.29%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5): .....	.95%

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.95% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$100	\$431

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund’s operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$24,938	\$107,817

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ European Medical Products and Devices Exchange-Traded Fund

Trading Symbol:	HHT
CUSIP Number:	42226E 79 4
Underlying Index (Symbol):	HealthShares™ European Medical Products and Devices Index (HSEUMP)
Inception Date:	To be determined

The HealthShares™ European Medical Products and Devices Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ European Medical Products and Devices Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ European Medical Products and Devices Index, an index of foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “European medical products and devices” companies by the Index Administrator and therefore are included in the HealthShares™ European Medical Products and Devices Index. A European Medical Products and devices company is a company headquartered in Europe and quoted on at least one European Stock Exchange and is involved in the research, development, manufacture, distribution and commercialization of medical devices and/or products for the treatment or amelioration of human disorders and diseases.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of European medical products and devices companies, this means that the Fund will invest at least 90% of its assets in European medical products and devices companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above

\$10 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may

have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.

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- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
 - The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *geographic concentration risk*. The Fund will invest all of its assets in the securities of European medical products and devices companies and therefore will be impacted by events and conditions impacting the European region to a greater extent than a fund that does not focus its investments in Europe. For example, political and economic conditions and changes in regulatory, tax, or economic policy in a European country could significantly affect the market in that country and in surrounding or related countries.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.

- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)

Annual Fund Operating Expenses

(expenses deducted from the Fund's assets)

Advisory Fee(2): .....	.95%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.29%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5): .....	.95%

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.

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- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.95% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$100	\$431

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$24,938	\$107,817

HealthShares™ GI/Gender Health Exchange-Traded Fund

Trading Symbol:	HHU
CUSIP Number:	42226E 85 1
Underlying Index (Symbol):	HealthShares™ GI/Gender Health Index (HSURGH)
Inception Date:	To be determined

The HealthShares™ GI/Gender Health Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ GI/Gender Health Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ GI/Gender Health Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “gastrointestinal/genitourinary/gender health” companies by the Index Administrator and therefore are included in the HealthShares™ GI/Gender Health Index. A GI/Gender Health company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of diseases including gastrointestinal disorders such as gastroesophageal reflux disease, heartburn, irritable bowel syndrome, Crohn’s Disease and ulcerative colitis; genitourinary disorders, such overactive bladder, urge incontinence, stress incontinence and urinary tract infection; and gender health matters including sexual dysfunction (male and female), endometriosis, benign prostatic hyperplasia, prolapsed womb and reproductive health.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of gastrointestinal/genitourinary/gender health companies, this means that the Fund will invest at least 90% of its assets in gastrointestinal/genitourinary/gender health companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the

Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology

companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.

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- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
 - The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)

Annual Fund Operating Expenses

(expenses deducted from the Fund's assets)

Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5): .....	.75%

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Infectious Disease Exchange-Traded Fund

Trading Symbol:	HHG
CUSIP Number:	42226E 70 3
Underlying Index (Symbol):	HealthShares™ Infectious Disease Index (HSINFD)
Inception Date:	To be determined

The HealthShares™ Infectious Disease Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Infectious Disease Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Infectious Disease Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “infectious disease” companies by the Index Administrator and therefore are included in the HealthShares™ Infectious Disease Index. An Infectious Disease company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of infectious diseases related to antibacterial, antifungal and antiviral indications, by means of small molecules, protein therapy and vaccines.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of infectious disease companies, this means that the Fund will invest at least 90% of its assets in infectious disease companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest

at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth

rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market

prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.

- The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
- The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund

for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in

other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Metabolic-Endocrine Disorders Exchange-Traded Fund

Trading Symbol:	HHM
CUSIP Number:	42226E 80 2
Underlying Index (Symbol):	HealthShares™ Metabolic-Endocrine Disorders Index (HSMETE)
Inception Date:	To be determined

The HealthShares™ Metabolic-Endocrine Disorders Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Metabolic-Endocrine Disorders Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Metabolic-Endocrine Disorders Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “metabolic-endocrine disorders” companies by the Index Administrator and therefore are included in the HealthShares™ Metabolic-Endocrine Disorders Index. A Metabolic-Endocrine Disorders company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of metabolic-endocrine disorders including, but not limited to, diabetes, obesity, Syndrome X, growth deficiency and rare lysosomal disorders.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of metabolic-endocrine disorders companies, this means that the Fund will invest at least 90% of its assets in metabolic-endocrine disorders companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such

as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life

sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund

for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in

other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Neuroscience Exchange-Traded Fund

Trading Symbol:	HHN
CUSIP Number:	42226E 87 7
Underlying Index (Symbol):	HealthShares™ Neuroscience Index (HSNEUR)
Inception Date:	To be determined

The HealthShares™ Neuroscience Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Neuroscience Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Neuroscience Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “neuroscience” companies by the Index Administrator and therefore are included in the HealthShares™ Neuroscience Index. A Neuroscience company is a company involved in the research, clinical development and/or commercialization of therapeutic agents for the treatment of a wide variety of neurological and psychiatric disorders including, but not limited to, Alzheimer’s, Parkinson’s, Huntington’s, schizophrenia, anxiety, depression, epilepsy, pain and sleep disorders.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of neuroscience companies, this means that the Fund will invest at least 90% of its assets in neuroscience companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend

yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology

companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange

(NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.

- The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
- The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
- The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund

for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	1.09%
Less: Expense Reduction/Reimbursement(5)	(.34)%
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index. HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in

other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Ophthalmology Exchange-Traded Fund

Trading Symbol:	HHZ
CUSIP Number:	42226E 60 4
Underlying Index (Symbol):	HealthShares™ Ophthalmology Index (HSOPTH)
Inception Date:	To be determined

The HealthShares™ Ophthalmology Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Ophthalmology Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Ophthalmology Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “ophthalmology” companies by the Index Administrator and therefore are included in the HealthShares™ Ophthalmology Index. An Ophthalmology company is a company involved in the research, clinical development and/or commercialization of therapeutic agents by means of pharmaceuticals, medical devices or biomaterials for the treatment of various diseases of the eye including, but not limited to, age-related macular degeneration, dry-eye, diabetic macular edema, glaucoma, presbyopia and myopia.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will typically invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of ophthalmology companies, this means that the Fund will invest at least 90% of its assets in ophthalmology companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend

yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences or biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological

developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ SHARES IN LESS THAN CREATION UNIT

AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Orthopedic Repair Exchange-Traded Fund

Trading Symbol:	HHP
CUSIP Number:	42226E 82 8
Underlying Index (Symbol):	HealthShares™ Orthopedic Repair Index (HSORTR)
Inception Date:	To be determined

The HealthShares™ Orthopedic Repair Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Orthopedic Repair Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Orthopedic Repair Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “orthopedic repair” companies by the Index Administrator and therefore are included in the HealthShares™ Orthopedic Repair Index. A Orthopedic Repair health company is a company involved in the manufacturing, distribution, and commercialization of medical devices, pharmaceuticals and regenerative medicine for the treatment of bone, cartilage, tendon, muscle, ligament, maxillofacial and dental elements, excluding periodontal and skin conditions or disorders.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of orthopedic repair companies, this means that the Fund will invest at least 90% of its assets in orthopedic repair companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$20 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest

at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life

sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5)	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Patient Care Services Exchange-Traded Fund

Trading Symbol:	HHB
CUSIP Number:	42226E 84 4
Underlying Index (Symbol):	HealthShares™ Patient Care Services Index (HSPACS)
Inception Date:	January 23, 2007

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Patient Care Services Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Patient Care Services Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “patient care services” companies by the Index Administrator and therefore are included in the HealthShares™ Patient Care Services Index. A Patient Care Services company is a company involved in providing direct treatment of patients in hospitals, outpatient clinics, nursing homes, assisted living centers, treatment facilities or home health providers and the companies involved in providing supplies and services to these facilities.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of patient care services companies, this means that the Fund will invest at least 90% of its assets in patient care services companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$350 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest

at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life

sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to derivatives risk, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund is new and began operations on January 23, 2007, so performance information for a full calendar year is not yet available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Respiratory/Pulmonary Exchange-Traded Fund

Trading Symbol:	HHR
CUSIP Number:	42226E 20 8
Underlying Index (Symbol):	HealthShares™ Respiratory/Pulmonary Index (HSRESP)
Inception Date:	To be determined

The HealthShares™ Respiratory/Pulmonary Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Respiratory/Pulmonary Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Respiratory/Pulmonary Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been identified as “respiratory/pulmonary” companies by the Index Administrator and therefore are included in the HealthShares™ Respiratory/Pulmonary Index. A Respiratory/Pulmonary company is a company involved 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.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. Because the Underlying Index is comprised of only stocks of respiratory/pulmonary companies, this means that the Fund will invest at least 90% of its assets in respiratory/pulmonary companies, as discussed above. The Fund will provide shareholders with at least 60 days’ notice of any change in these policies. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$15 billion or below \$100 million. The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as

price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices overall will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological

developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.
- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.

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- The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

HealthShares™ Composite Exchange-Traded Fund

Trading Symbol:	HHQ
CUSIP Number:	42226E 76 0
Underlying Index (Symbol):	HealthShares™ Composite Index (HSCOMP)
Inception Date:	To be determined

The HealthShares™ Composite Exchange-Traded Fund is not currently being offered.

Investment Objective

The Fund seeks to track the performance, before fees and expenses, of the HealthShares™ Composite Index.

Principal Investment Strategies

The Fund employs a “passive management” investment strategy designed to track the performance of the HealthShares™ Composite Index, an index of U.S. and foreign common stocks of healthcare, life sciences or biotechnology companies that have been included in the HealthShares™ Autoimmune-Inflammation Index, the HealthShares™ Cancer Index, the HealthShares™ Cardio Devices Index, 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 stocks of the 80 largest companies by market capitalization that are part of the Composite Eligible Indexes.

As its primary strategy, the Fund attempts to replicate the Underlying Index by investing substantially all of its assets in the stocks that make up the Underlying Index, holding each stock in approximately the same proportion as its weighting in the Underlying Index. The Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) based on securities of international companies in the Underlying Index. The Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents, such as money market instruments (subject to applicable limitations of the 1940 Act). In determining the composition of the Underlying Index, the Index Administrator will screen companies to eliminate those with market capitalizations above \$20 billion or below \$100 million.

The Fund may also sample, rather than replicate, the Underlying Index by holding stocks that, in the aggregate, are intended to approximate the Underlying Index in terms of key characteristics, such as price/earnings ratio, earnings growth, and dividend yield. If the Fund pursues a sampling strategy, it will continue to invest at least 90% of its assets in the common stocks, ADRs or GDRs of companies in the Underlying Index.

Because all of the securities included in the Underlying Index are issued by companies in the healthcare, life sciences and biotechnology sectors, the Fund will always be concentrated in these sectors.

Principal Risks

The Fund is subject to certain risks. Certain of these risks are described below. For a more detailed discussion of some of these risks, see “Additional Information Regarding the Funds, their Principal Strategies and Related Risks” below.

- The Fund is subject to *stock market risk*, which is the risk that stock prices will decline over a given period of time. The Fund’s total return, like stock prices generally, will fluctuate within a wide range, so an investor could lose money over short or even long periods. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.
- The Fund is subject to *index risk*, which is the risk that stocks in the Underlying Index may under-perform fixed income investments or stock market investments that track other markets, segments or sectors. The Advisor does not actively manage the Fund and therefore does not attempt to analyze, quantify or control the risks associated with investing in stocks of companies in the Underlying Index.
- The Fund is subject to *sector risk*, which is the risk that significant problems will affect the sector represented in the Underlying Index, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall stock market. Because the Fund invests substantially all of its assets in the healthcare, life sciences and biotechnology sectors, the Fund’s performance largely depends – for better or for worse – on the general condition of these sectors. Healthcare, life sciences and biotechnology companies face intense competition, both domestically and

internationally. Healthcare, life sciences and biotechnology companies may have limited product lines, markets, financial resources or personnel and their products may face obsolescence due to rapid technological developments and frequent new product introduction. Healthcare, life sciences and biotechnology companies may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel. Companies in the healthcare, life sciences and biotechnology sectors are heavily dependent on patent and intellectual property rights. The loss or impairment of these rights may adversely affect the profitability of these companies.

The healthcare sector is also subject to government regulation and government approval of products and services which could have a significant adverse effect on price and availability. Furthermore, the types of products or services produced or provided by healthcare companies can quickly become obsolete.

The biotechnology sector can be significantly affected by patent considerations, intense competition, rapid technology change and obsolescence caused by progressive scientific and technological advances as well as strict government scrutiny and ongoing legislative action in the U.S. and abroad. Biotechnology companies may have persistent losses during a new product's transition from development to production, and revenue may be erratic, or even non-existent.

- The Fund is subject to *non-diversification risk*, which is the risk associated with the fact that the Fund is non-diversified and may concentrate its investments in fewer issuers than if it were diversified. As a result, the Fund is more susceptible to the risks associated with those investments, including the risk that the Fund's performance may be hurt by the poor performance of relatively few stocks or even a single stock to a greater extent than if the Fund were diversified.
- The Fund is subject to *investment style risk*, which is the risk that, to the extent that the Fund's assets are invested in small- and mid-capitalization stocks, the returns from these small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, these stocks have been more volatile in price than the large-capitalization stocks.

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- The Fund is subject to *index sampling risk*, which is the risk that, when employing a sampling strategy, the stocks held by the Fund will not provide investment performance tracking the Underlying Index.
 - The Fund is subject to *market price risk*, which is the risk associated with the fact that the HealthShares™ are listed on the New York Stock Exchange (NYSE) and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell HealthShares™.
 - The Fund is subject to *foreign securities risk*, which is the risk that political and economic events unique to a foreign country or region will affect those markets and their issuers. These events will not necessarily affect the U.S. economy or similar issuers located in the United States. In addition, investments in foreign countries are generally denominated in a foreign currency. As a result, changes in the value of those currencies compared to the U.S. dollar may affect (positively or negatively) the value of a Fund's investments. These currency movements may happen separately from and in response to events that do not otherwise affect the value of the security in the issuer's home country.
 - The Fund is subject to *secondary market risk*. Although the HealthShares™ are listed for trading on the NYSE, it is possible that an active trading market may not be maintained. Trading of the HealthShares™ on the NYSE may be halted if NYSE officials deem such action appropriate, if the HealthShares™ are delisted from the NYSE or if the activation of market-wide "circuit breakers" halts stock trading generally.
 - The Fund is subject to *derivatives risk*, which is the risk associated with stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Investments in derivatives may subject the Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes.

Performance Information

The Fund has not yet begun operations, so performance information is not available.

Fees and Expenses

The following table describes the fees and expenses you may pay if you buy and hold HealthShares™ shares in the Fund. Transaction costs incurred by the Fund for buying and selling securities are not reflected in the table. Operating Expenses are expressed as a percentage of average daily net assets and are based upon estimated amounts for the current fiscal year.

Shareholder Fees

(fees paid directly from your investment)

Sales Charge (Load) Imposed on Purchases:	None
Transaction Fee on Purchases and Redemptions:	Varies(1)
Annual Fund Operating Expenses	
<i>(expenses deducted from the Fund's assets)</i>	
Advisory Fee(2): .....	.75%
12b-1 Distribution Fee(3): .....	.25%
Other Expenses(4): .....	.09%
Total Annual Fund Operating Expenses:	<u>1.09%</u>
Less: Expense Reduction/Reimbursement(5)	<u>(.34)%</u>
Net Annual Operating Expenses(5):	<u>.75%</u>

- (1) An investor purchasing or redeeming Creation Units of the Fund will pay to the Fund a transaction fee of \$500, plus an additional fee of up to \$2,500 if the investor does not create or redeem through the NSCC (for a total of up to \$3,000). An investor buying or selling the Fund in the secondary market will pay a commission to his broker in an amount established by the broker. Investors who hold Creation Units will also pay the annual fund operating expenses described in the table above.
- (2) The Fund pays the Advisor a single, unified management fee for arranging for certain non-distribution related services necessary for the Fund to operate. For more information about the unified management fee, see "Investment Advisor" under "Fund Management".
- (3) The Fund has adopted a Distribution and Service (12b-1) Plan pursuant to which payments of up to .25% of average daily net assets may be made by the Fund. The Board of Directors of the Fund has determined that no such payments will be made for the twelve month period following commencement of operations.
- (4) "Other Expenses" are based on estimated amounts for the current fiscal year.
- (5) The Advisor has contractually agreed to reduce its fees and/or pay Fund expenses (excluding interest, taxes and extraordinary expenses) in order to limit Net Annual Operating Expenses for shares of the Fund to 0.75% of the Fund's average net assets (the "Expense Cap"). The Expense Cap will remain in effect until at least September 30, 2007. The Advisor is permitted to be reimbursed for fee reductions and/or expense payments made in the prior three fiscal years. This reimbursement may be requested by the Advisor if the aggregate amount actually paid by the Fund toward operating expenses for such fiscal year (taking into account the reimbursement) does not exceed the Expense Cap.

The Fund sells and redeems HealthShares™ only in Creation Units and principally on an in-kind basis for portfolio securities of the Underlying Index.

HEALTHSHARES™ IN LESS THAN CREATION UNIT AGGREGATIONS ARE NOT REDEEMABLE. The following example is intended to help retail investors compare the cost of investing in the Fund with the cost of investing in other funds. It illustrates the hypothetical expenses that such investors would incur over various periods if they invest \$10,000 in the Fund. The example assumes that the Fund provides a return of 5% a year and that operating expenses remain the same. This example does not include the brokerage commissions that retail investors will pay to buy and sell HealthShares™. It also does not include the transaction fees on purchases and redemptions of Creation Units, because these fees will not be imposed on retail investors.

1 YEAR	3 YEARS
\$79	\$366

These examples should not be considered to represent actual expenses or performance from the past or for the future. Actual future expenses may be higher or lower than those shown.

Creation Unit Transactions Fees and Redemption Transaction Fees

The Fund issues and redeems shares at NAV and only in Creation Unit blocks of 100,000. As a practical matter, only institutions or large investors purchase or redeem Creation Units. A standard Creation Unit transaction fee of \$500 is charged for each purchase of Creation Units, regardless of the number of Creation Unit shares acquired. An investor redeeming Creation Unit shares will be charged a standard redemption transaction fee of \$500, regardless of the number of Creation Unit shares redeemed.* The value of a Creation Unit of the Fund, as of the date of this Prospectus, was approximately \$2,500,000. Investors holding Creation Units will also pay the Annual Fund Operating Expenses described in the table above. Assuming an investment in a Creation Unit of \$2,500,000, a 5% return, and assuming that the Fund's operating expenses remain the same and the Creation Units are redeemed at the end of each period, a purchaser of Creation Units will incur the following costs:

1 YEAR	3 YEARS
\$19,688	\$91,392

* If a Creation Unit is purchased or redeemed outside of usual process through the NSCC or for cash an additional variable fee of up to five times the standard creation or redemption transaction fee will be charged.

Additional Information About the Funds, Their Principal Strategies and Related Risks

The following section provides more information about the Funds, the Underlying Indexes and the principal investment strategies and risks that are common to each Fund.

Additional Investment Strategies

Under normal circumstances, each Fund will invest at least 90% of its assets in common stocks of companies in the Underlying Index, or in ADRs or GDRs based on securities of international companies in the Underlying Index. Because each Underlying Index, with the exception of HealthShares™ Composite Index, is comprised only of stocks as indicated by its name (*e.g.*, only “diagnostics” companies are contained in the HealthShares™ Diagnostics Index), this means that each Fund will invest at least 90% of its assets in such companies. The Funds will provide shareholder with at least 60 days’ notice of any change in these policies. The HealthShares™ Composite Exchange-Traded Fund will invest at least 90% of its assets in companies contained in the Composite Eligible Indices. Each Fund may also invest up to 10% of its assets in futures contracts, options on futures contracts, options, swaps on securities of companies in the Underlying Index, as well as cash and cash equivalents such as money market instruments (subject to applicable limitations of the 1940 Act). Each Fund’s investment objective is fundamental and may not be changed without a shareholder vote.

In addition to the Funds’ principal investment strategies, each Fund may, from time to time, use certain other strategies or engage in certain other investment practices that are not principal strategies. In addition to these strategies and practices, each Fund may invest in investment-grade debt securities (*i.e.*, debt obligations classified within the four highest ratings of a nationally recognized statistical rating organization such as Moody’s Investors Service (“Moody’s”) or Standard & Poor’s (“S&P”) or, if unrated, determined by the Advisor to be of comparable quality). Each Fund may also hold cash and/or invest a portion of its assets in U.S. Government securities, high-quality money market instruments and repurchase agreements collateralized by the foregoing obligations. These other investments and strategies are described in detail in the Funds’ Statement of Additional Information.

More Information About the Funds’ Principal Risks

Index Risk. The Funds employ a “passive management” or indexing investment approach. Each Fund attempts to track the investment performance of its

Underlying Index. Whenever practicable, each Fund uses the replication method as its primary strategy, meaning that it holds the same stocks, in approximately the same proportions, as the stocks in the Underlying Index, regardless of their investment merit. Because each Fund is a passively managed index fund, the Advisor does not attempt to analyze individual companies or to quantify, manage or control the risks associated with investing in individual companies or in a portfolio that replicates the Underlying Index. Although index funds, by their nature, tend to be tax-efficient investment vehicles, tax ramifications are not considered in the passive management of index funds like the Funds. This risk is known as *Index Risk*.

Index Sampling Risk. From time to time, however, regulatory constraints or other legal considerations may prevent a Fund from replicating precisely an Underlying Index. This may occur for a number of reasons. For example, the Funds are taxed as regulated investment companies under the Internal Revenue Code of 1986, as amended (the “Code”), and the Code imposes certain percentage limitations applicable to investments by regulated investment companies. To the extent a strict application of the replication methodology would result in a violation of the Code, the Fund would be prevented from replicating the Underlying Index. Similarly, other regulatory constraints, such as limitations on the ability of a Fund to invest more than a certain percentage in illiquid securities, may also prevent the Fund from precisely replicating an Underlying Index. In these circumstances, the Fund will employ a strategy known as “sampling” whereby the Fund will invest in securities that, in the aggregate, are deemed by the Advisor to approximate the Underlying Index in terms of key characteristics. The Advisor will not use a sampling strategy in an attempt to manage the portfolio but will do so only when it is required to do so by regulatory or legal considerations. To the extent the Fund employs a sampling strategy, it is subject to *index sampling risk*, which is the risk that the securities selected by the Advisor pursuant to this strategy may not, in fact, provide investment performance that closely tracks the Underlying Index.

Stock Market Risk. The Funds are subject to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to be volatile, with periods of rising prices and periods of falling prices.

Sector Risk. Each Fund is subject to sector risk, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Because each Fund invests all, or substantially all, of its assets in the healthcare, life sciences and

biotechnology sectors, it is subject to the risks associated with investing in those sectors. Companies in the healthcare industry are, generally, subject to significant governmental regulation and are required to obtain government approval of their products and services, which could have a significant effect on their price and availability. Furthermore, the types of products or services produced or provided by these companies may quickly become obsolete. The costs of providing healthcare services may increase as a result of, among other factors, changes in medical technology and increased labor costs.

Additionally, a number of legislative proposals concerning healthcare have been introduced in the U.S. Congress in recent years or have been reported to be under consideration. These proposals span a wide range of topics, including cost controls, national health insurance, incentives for competition in the provision of healthcare services, tax incentives and penalties related to healthcare insurance premiums, and promotion of prepaid healthcare plans. Any of these proposals, if enacted, may have an adverse effect on the healthcare industry.

The biotechnology sector of the healthcare industry faces certain additional risks. Biotechnology and pharmaceutical companies need to price drugs to cover costs. Increased competition, managed care, larger provider networks and a planned Medicare program may make it difficult to raise prices, and in fact, may result in price discounting. The sector is also subject to costs arising out of its regulation by the Food and Drug Administration (“FDA”). Before any drug or medical device can be sold, it must receive FDA approval. The process to obtain FDA approval has historically been long and costly, and it is becoming increasingly difficult to recoup these costs. Additional expenses may arise from the cost of expensive liability insurance due to the fact that biotechnology companies face the risk of large product liability suits.

Furthermore, the biotechnology industry is an emerging growth industry, and therefore biotechnology companies may be thinly capitalized and more volatile than companies with greater capitalization. Companies in this sector generally need to retain earnings to finance their expansion, and as a result, no dividends may be paid. Additional capital may be required to market new products on a commercial basis. Biotechnology companies may be dependent for their revenues on only a few products, and may depend on their competitors to produce and market their products. These companies are therefore susceptible to product obsolescence, a common problem in a rapidly developing area like biotechnology.

Pharmaceutical companies must devote a large amount of capital to research and development and marketing to remain competitive. If new drugs are not approved, or new applications are not found for existing drugs, profits may be adversely impacted. Manufacturers of medical devices face unusual costs because they must follow the “Good Manufacturing Practices” (“GMP”) regulation which provides detailed guidance on designing, manufacturing, testing, packaging, storing and installing devices as well as the required recordkeeping.

Investment Style Risk. Each Fund invests across large-, mid-, and small-capitalization healthcare, life sciences and biotechnology stocks, depending on the composition of the Underlying Index. The Advisor makes no effort to manage the capitalization exposure of the Fund’s portfolio. The Index Methodology with respect to each Underlying Index, however, generally requires a minimum capitalization of at least \$100 million (some of the Underlying Indexes require a greater minimum market capitalization than \$100 million). From time to time, depending on the construction of the Underlying Index, a Fund may invest a substantial portion of its assets in small- and medium-size healthcare, life sciences and biotechnology companies. Such investments entail greater risk than investments in larger, more established companies. Small- and medium-size companies in these industries often have narrower markets and more limited managerial and financial resources than larger, more established healthcare, life sciences and biotechnology companies. Some of these companies may have incurred significant net losses since commencing operations and many companies may not achieve profitability from developing these products for years, if at all. Even after a company begins selling its products, losses could continue to increase as a result of ongoing research and development and clinical trial expenses, as well as increased manufacturing, sales and marketing expenses. These losses, among other things, could significantly increase the volatility of a Fund’s assets and adversely affect the NAVs of the Funds. As a result of these risks and uncertainties, an investor may lose some or all of his investment in the Funds.

Small- and medium-size companies in the healthcare, life sciences and biotechnology sectors may be subject to acquisition by various large-size companies in the same or related sectors which may significantly impact the stock prices of such companies and, in turn, adversely affect the NAVs of the Funds.

Foreign Security Risks. Investments in securities of foreign companies or governments can be more volatile than investments in U.S. companies or

governments. Diplomatic, political, or economic developments, including nationalization or appropriation, could affect investments in foreign countries. Foreign securities markets generally have less trading volume and less liquidity than U.S. markets. In addition, the value of securities denominated in foreign currencies, and of dividends from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Foreign companies or governments may not be subject to uniform accounting, auditing, and financial-reporting standards comparable to those applicable to domestic U.S. companies or governments. Transaction costs are generally higher than those in the U.S. and expenses for foreign custodial arrangements may be higher than expenses for custodial arrangements of similar U.S. securities. Some foreign governments levy withholding taxes against dividend and interest income. Although in some countries a portion of these taxes is recoverable, the non-recovered portion will reduce the income received from the securities comprising the portfolio.

Currency Risk. As many investments in foreign countries are denominated in foreign currencies, changes in the value of those countries' currencies relative to the U.S. dollar may affect the value of those investments. Investments in foreign securities denominated in foreign currencies involve additional risks, including: (i) each Fund may incur substantial costs in connection with conversions between various currencies; (ii) only a limited market currently exists for hedging transactions relating to currencies in certain emerging markets; and (iii) securities transactions undertaken in some foreign markets may not be settled promptly so that the Funds' investments may be less liquid and subject to the risk of fluctuating currency exchange rates pending settlement.

Expropriation Risk. Foreign governments may expropriate the Funds' investments either directly by restricting the Funds' ability to sell a security or imposing exchange controls that restrict the sale of a currency, or indirectly by taxing the Funds' investments at such high levels as to constitute confiscation of the security. There may be limitations on the ability of the Funds to pursue and collect a legal judgment against a foreign government.

Geographic Concentration and Emerging Market Risk. Because the HealthShares™ Asian Health Exchange-Traded Fund, the European Drugs Exchange-Traded Fund and the European Medical Devices and Products Exchange-Traded Fund (the "International Funds") will invest all of their assets in the securities of a single region and may invest a significant portion of its assets in the securities of a single foreign country, such Funds will be impacted

by events or conditions affecting that country or region to a greater extent than a fund that did not focus its investments in a single region or country. For example, political and economic conditions and changes in regulatory, tax, or economic policy in a country could significantly affect the market in that country and in surrounding or related countries. For the HealthShares™ Asian Health Exchange-Traded Fund, the Asian economies are in all stages of economic development. The majority of the economies in the region can be characterized as either developing or newly industrialized. The HealthShares™ Asian Health Exchange-Traded Fund is also subject to risk particular to its investments in Japan. The Japanese economy has only recently emerged from a prolonged economic downturn. Certain of the countries in which the Fund may invest may be considered to be emerging market countries. Emerging market countries are countries that the World Bank or the United Nations considers to be emerging or developing. Emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than more developed countries. In addition, the financial stability of issuers (including governments) in emerging markets countries may be more precarious than in other countries.

Derivatives Risk. Each Fund may invest, to a limited extent, in derivatives. Derivatives may involve risks different from, and possibly greater than, those of traditional investments. To track their Underlying Indexes as closely as possible, the Funds attempt to remain fully invested in stocks. The Funds may invest, to a limited extent, in stock futures and options contracts, warrants, convertible securities, and swap agreements, which are types of derivatives. Generally speaking, a derivative is a financial contract whose value is based on the value of a traditional security (such as a stock or bond), an asset (such as a commodity like gold), or a market index (such as the S&P 500 Index). Investments in derivatives may subject a Fund to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Losses (or gains) involving futures can sometimes be substantial – in part because a relatively small price movement in a futures contract may result in an immediate and substantial loss (or gain) for a Fund. Similar risks exist for warrants (securities that permit their owners to purchase a specific number of stock shares at a predetermined price), convertible securities (securities that may be exchanged for another asset), and swap agreements (contracts between parties in which each agrees to make payments to the other based on the return of a specified index or asset). The Funds will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns.

Market Price Risk. The market price of shares of the Funds may differ from the Fund's NAV. HealthShares™ are listed for trading on the NYSE and can be bought and sold in the secondary market at market prices. Although it is expected that the market price of the HealthShares™ typically will approximate its NAV, there may be times when the market price and the NAV differ significantly. Thus, you may pay more than NAV when buying HealthShares™ on the secondary market, and you may receive less than NAV when you sell those HealthShares™.

The market price of HealthShares™, like the price of any exchange-traded security, includes a “bid-asked spread” charged by the exchange specialist and other market-makers that cover the particular security. While the Fund cannot predict, and does not control, whether or when the HealthShares™ will trade at a premium or a discount to NAV, it is likely that in times of severe market disruption, the bid-asked spread will increase significantly and the HealthShares™ would most likely be traded at a discount to NAV. In addition, any discount is likely to be greatest when the price of HealthShares™ is falling fastest – and this may be the time that you most want to sell your HealthShares™. The Funds' website at <http://www.healthsharesinc.com> will show the prior day's closing NAV and closing market price for the Funds' shares. In addition, the Funds' website will contain the following information, on a per share basis, for each Fund: (a) the prior business day's net asset value and the Bid/Ask Price and a calculation of the premium or discount of the Bid/Ask Price at the time of calculation of the net asset value against such net asset value; and (b) data in chart format displaying the frequency distribution of discounts and premiums of the daily Bid/Ask Price against the net asset value, within appropriate ranges, for each of the four previous calendar quarters. In addition, the Funds' website contains information regarding the premiums and discounts at which shares of the Funds have traded.

Secondary Market Risk. An active secondary market for the HealthShares™ may not exist. Although the HealthShares™ are listed on the NYSE, it is possible that an active trading market may not be maintained. In addition, trading in the HealthShares™ on the NYSE will be halted whenever trading in equity securities generally is halted by the activation of market-wide “circuit breakers,” which are tied to large decreases in the Dow Jones Industrial Average. Trading of the HealthShares™ also will be halted if (1) the shares are delisted from the NYSE without first being listed on another exchange, or (2) NYSE officials determine that such action is appropriate in the interest of a fair and orderly market or to protect investors. If trading is halted, eligible investors (see below) will still be

able to purchase Creation Units of the Funds directly and redeem such units with the Funds. If HealthShares™ are delisted from the NYSE, the Company will consider what appropriate action to take, which may include, among other things, seeking to list HealthShares™ on another national securities exchange, converting the Fund to a traditional mutual fund, or redeeming the Shares at NAV.

SHARES OF THE FUNDS ARE NOT INDIVIDUALLY REDEEMABLE.

They can be redeemed with the issuing Fund directly at NAV only in large lots known as Creation Units. You would incur brokerage costs in purchasing enough shares of the Fund to constitute a Creation Unit.

More Information About the Underlying Indexes

Each Underlying Index was created and developed by XShares Group based on its own proprietary intellectual model. In developing each Underlying Index, XShares Group has established specific characterization/inclusion/exclusion criteria governing the stocks that are included in each Underlying Index. XShares Group has engaged Standard & Poor's as the index administrator (the "Index Administrator") to maintain each Underlying Index based on this criteria. Each Underlying Index is generally reconstituted on a quarterly basis. Decisions regarding additions to, and removals from, each individual Underlying Index are made by the Index Administrator, on a quarterly basis, in its sole discretion. See "Information About the Underlying Index and Index Administrator" in the Statement of Additional Information. The Advisor has engaged BNY Investment Advisers (the "Sub-Adviser") for the day-to day-management of the Funds. See "Sub-Adviser" below. The Sub-Adviser will generally employ only the replication method in adjusting the Funds' portfolio in response to changes in the Underlying Index. To the extent that it is necessary to employ a sampling strategy with respect to a Fund's portfolio, the Advisor, and not the Sub-Adviser, will generally be responsible for determining which securities to invest in as part of that strategy. The Funds are not actively managed and the actions of Advisor and the Sub-Adviser will not result in the active management of the Funds. The service marks of each Underlying Index are the service marks of the Advisor. The Advisor has licensed the use of these service marks to the Company in connection with its use by the Funds.

Each Fund reserves the right to substitute a different index for the Underlying Index if the Underlying Index is discontinued, if the Index Creator's index agreement with the Index Administrator is terminated, or for any other reason

determined in good faith by the Funds' Board of Directors. If the Index Creator's arrangements with the Index Administrator are terminated, the Index Creator will seek to engage a replacement index administrator meeting applicable legal requirements. Should it prove impractical for the Index Creator to engage another index administrator, the Company will take whatever action is deemed to be in the best interests of the Funds' shareholders.

Buying and Selling Fund Shares

Buying and Selling Shares on the Secondary Market

Shares can be bought or sold throughout the trading day like shares of any publicly traded security. When buying or selling shares through a broker, you will incur customary brokerage commissions and charges. The price at which you buy or sell Fund shares (*i.e.*, the market price) may be more or less than the NAV of the shares. Unless imposed by your broker, there is no minimum dollar amount you must invest and no minimum number of Fund shares you must buy.

HealthShares™ are listed on the New York Stock Exchange (the "NYSE"). The NYSE is generally open Monday through Friday and is closed for weekends and the following holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Buying Shares Directly From a Fund

You can purchase shares directly from a Fund only in Creation Units or multiples thereof. Each Fund issues Creation Units in blocks of 100,000 shares.* For any particular Fund, the number of Fund shares in a Creation Unit will not change over time, except in the event that the Fund splits or revalues its shares. The Funds will not issue fractional Creation Units. Creation Units may be purchased only in exchange for a basket of securities – known as the *In-Kind Creation Basket* and cash equal to the *Cash Component*, as discussed further below. The Funds reserve the right to reject any purchase request at any time, for any reason, and without notice. The Funds can stop selling shares or postpone payment of redemption proceeds at times when the NYSE is closed or under any emergency circumstances as determined by the SEC.

* Except for the Asian Health Exchange-Traded Fund which issues and redeems shares only in lots of 200,000 shares.

To purchase shares directly from a Fund, you must be a Participating Organization or you must purchase through a broker that is Participating Organization. A Participating Organization is a participant of the Continuous Net Settlement System of the National Securities Clearing Corporation (“NSCC”) or the Depository Trust Company (“DTC”) that has executed a Participant Agreement with the Fund’s distributor. Most Participating Organizations are expected to be brokerage firms.

- *In-Kind Creation Basket.* On each business day, prior to the opening of trading on the NYSE, the Fund’s Advisor will post on the NSCC bulletin board the In-Kind Creation Basket for each Fund for that day. The In-Kind Creation Basket will identify the name and number of shares of each security that must be contributed to the Fund for each Creation Unit purchased. Each Fund reserves the right to accept a nonconforming creation basket.
- *Cash Component.* In addition to the in-kind deposit of securities, you will either pay to, or receive from, the Fund an amount of cash (the Balancing Amount) equal to the difference between the NAV of a Creation Unit and the value of the securities in the creation basket. The Balancing Amount ensures that the consideration paid by an investor for a Creation Unit is exactly equal to the value of the Creation Unit. The Fund’s Advisor will publish, on a daily basis, information about the previous day’s Balancing Amount. You also must pay a transaction fee, described below, in cash. The Balancing Amount and the transaction fee, taken together, are referred to as the Cash Component.
- *Placement of Purchase Orders.* All purchase orders must be placed through a Participating Organization. Purchase orders will be processed either through a manual clearing process run by DTC or through an enhanced clearing process that is available only to those DTC participants that also are participants in the Continuous Net Settlement System of the NSCC. Participating Organizations that do not use the NSCC’s enhanced clearing process will be charged a higher transaction fee (discussed below). A purchase order must be received by the Fund’s Distributor prior to the close of regular trading on the NYSE (generally 4:00 p.m., Eastern time) on the day the order is placed, and all other procedures set forth in the Participant Agreement must be followed, in order for you to receive the NAV determined on that day.

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- **Transaction Fee on Purchase of Creation Units.** The Funds impose a transaction fee in the amount of \$500 on each purchase of Creation Units effected through the NSCC's enhanced clearing process, regardless of the number of units purchased. For an investor purchasing Creation Units through the manual DTC clearing process, the transaction fee would be as much as \$3,000. Investors permitted to tender a nonconforming creation basket would be subject to an additional charge commensurate with the cost to the Fund. The transaction fee is paid to the Fund, not to the distributor, the Advisor or a third party. The fee protects existing shareholders of the Fund from the costs associated with issuing Creation Units.

Shares of the Funds are held in book entry form, which means that no stock certificates are issued. The DTC, or its nominee, will be the registered owner of all outstanding shares of the Fund. Your beneficial ownership of shares will be shown on the records of DTC or its participants through which you hold the shares. Neither the Advisor nor the Distributor will have any record of your ownership. Therefore, to exercise any right as an owner of shares, you must rely on the procedures of DTC and its participants. Your account information will be maintained by your broker, which will provide you with account statements, confirmations of your purchases and sales of Fund shares, and tax information. Your broker also will be responsible for distributing income and capital gains distributions and for ensuring that you receive shareholder reports and other communications from the Fund whose shares you own. You will receive other services (e.g., dividend reinvestment and average cost information) only if your broker offers these services.

Redeeming Shares Directly From a Fund

You may redeem shares of the Funds only in Creation Units or multiples thereof. To redeem shares directly with a Fund, you must be a Participating Organization or you must redeem through a broker that is a Participating Organization. Units may be redeemed only in exchange for a basket of securities – known as the *In-Kind Redemption Basket* and cash equal to the *Cash Component*, as discussed further below.

- **In-Kind Redemption Basket.** Redemption proceeds will be paid in kind with a basket of securities known as the In-Kind Redemption Basket. In most cases, the In-Kind Redemption basket will be the same as the In-Kind Creation Basket for that same day. There will be times, however, when the creation and redemption baskets differ. The composition of the In-Kind Redemption Basket will be available on the NSCC bulletin board. Each Fund

reserves the right to honor a redemption request with a nonconforming redemption basket, with the consent of the redeeming investor.

- **Cash Component.** Depending on whether the NAV of a Creation Unit is higher or lower than the value of the redemption securities, you will either receive from or pay to the Fund a Balancing Amount in cash. If you are due to receive a Balancing Amount, the amount you actually receive will be reduced by the amount of the applicable transaction fee. You also must pay a transaction fee, described below, in cash. The Balancing Amount and the transaction fee, taken together, are referred to as the Cash Component.
- **Placement of Redemption Orders.** As with purchases, redemptions must be processed either through the DTC process or the enhanced NSCC process. A redemption order is deemed received on the date of transmittal if it is received by the distributor prior to the close of regular trading on the NYSE on that date, and if all other procedures set forth in the Participant Agreement are followed.
- **Transaction Fee on Redemption of Creation Units.** The Funds impose a transaction fee on each redemption of Creation Units. The amount of the transaction fee on redemptions effected through the NSCC and the DTC, and on nonconforming redemptions, is the same as the fee imposed on comparable purchases (see previous section). As with the transaction fee on purchases, the transaction fee on redemptions is paid to the Fund, not to the Advisor, the distributor or a third party. The fee protects existing shareholders of the Fund from the costs associated with redeeming Creation Units.

You should be aware of certain legal risks unique to investors purchasing Creation Units directly from the Fund. Because new Fund shares may be issued on an ongoing basis, a “distribution” of Fund shares could be occurring at any time. Certain activities that you perform as a dealer could, depending on the circumstances, result in you being deemed a participant in the distribution, in a manner that could render you a statutory underwriter and subject you to the prospectus delivery and liability provisions of the Securities Act of 1933 (the “Securities Act”). For example, you could be deemed a statutory underwriter if you purchase Creation Units from the issuing Fund, break them down into the constituent Fund shares, and sell those shares directly to customers, or if you choose to couple the creation of a supply of new Fund shares with an active selling effort involving solicitation of secondary-market demand for Fund shares. Whether a person is an underwriter depends upon all of the facts and

circumstances pertaining to that person's activities, and the examples mentioned here should not be considered a complete description of all the activities that could cause you to be deemed an underwriter.

Dealers who are not "underwriters" but are participating in a distribution (as opposed to engaging in ordinary secondary-market transactions), and thus dealing with Fund shares as part of an "unsold allotment" within the meaning of Section 4(3)(C) of the Securities Act, will be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act.

Section 12(d)(1) of the 1940 Act restricts investments by registered investment companies in securities of other registered investment companies, including the Funds. The acquisition of Fund shares by registered investment companies is subject to the restrictions of Section 12(d)(1) of the 1940 Act, except as may at some future time be permitted by an exemptive order that permits registered investment companies to invest in a Fund beyond the limits of Section 12(d)(1), subject to certain terms and conditions, including that the registered investment company enter into an agreement with the Fund regarding the terms of the investment.

Exchanges

Shares of one Fund may not be exchanged for shares of another Fund.

Frequent Trading

Unlike frequent trading of shares of a traditional open-end mutual funds (*i.e.*, not exchange-traded) shares, frequent trading of shares of the Funds on the secondary market does not disrupt portfolio management, increase the funds' trading costs, lead to realization of capitalization gains, or otherwise harm fund shareholders because these trades do not involve the Funds directly. A few institutional investors are authorized to purchase and redeem the Funds' shares directly with the Funds. Because these trades are effected in-kind (*i.e.*, for securities, and not for cash), they do not cause any of the harmful effects (noted above) that may result from frequent cash trades. Moreover, each Fund imposes transaction fees on in-kind purchases and redemptions of the Fund to cover the custodial and other costs incurred by the fund in effecting in-kind trades. These fees increase if an investor substitutes cash in part or in whole for securities, reflecting the fact that the fund's trading costs increase in those circumstances. For these reasons, the Board of Directors has determined that it is not necessary to adopt policies and procedures to detect and deter frequent trading and market-timing in shares of the Funds.

Portfolio Turnover Rate

The Funds are passively managed to their Underlying Indexes and may sell securities regardless of how long they have been held in order to replicate its Underlying Index. In some cases, the Funds' annual turnover rate may exceed 100%. A higher rate of portfolio turnover will result in higher transaction costs, including brokerage commissions. Also, to the extent that higher portfolio turnover results in more frequently realized net gains to a Fund, the Fund's distributions of taxable income may increase.

Distribution and Service Plan

Each Fund has adopted a Distribution and Service Plan (the "Rule 12b-1 Plan") pursuant to which each Fund may pay financial intermediaries a fee of up to .25% of its average daily net assets for distribution and other services provided by that intermediary in accordance with the terms of the Rule 12b-1 Plan. The Board of Directors has determined that no payments will be made by the Funds under the Rule 12b-1 Plan for the twelve-month period following commencement of operations. If such fees are paid in the future, they would increase the costs associated with your investments in the Funds and decrease each Funds' NAV because these fees are paid by the Funds. These fees, if paid in the future, would be paid out of the Funds' assets on an on-going basis, and therefore, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Portfolio Holdings

Each Fund publicly disseminates its full portfolio holdings each day the Funds are open for business through its internet web site at <http://www.healthsharesinc.com>. Each Fund may terminate or modify this policy at any time without further notice to shareholders. In addition, the In-Kind Creation Basket and In-Kind Redemption Basket, which identify the securities and share quantities which are delivered in exchange for purchases and redemptions of Creation Units, are publicly disseminated daily prior to the open of the NYSE via the NSCC. A description of the Funds' policies and procedures with respect to the disclosure of the Funds' portfolio securities is available in the Statement of Additional Information.

Fund Management

Investment Advisor

XShares Advisors LLC serves as investment adviser to the Funds with overall responsibility for the general management and administration of the Funds, subject to the supervision of the Funds' Board of Directors. Under the Investment Advisory Agreement, the Advisor is responsible for arranging sub-advisory, transfer agency, custody, fund administration, and all other non-distribution related services for the Funds to operate. The Advisor will also be responsible for employing any sampling strategy for the Funds.

For the services it provides to the Funds, the Advisor receives a unified advisory fee based on a percentage of the daily net assets of each Fund. The advisory fee is calculated daily and paid monthly in arrears. Out of the advisory fee, the Advisor pays all fees and expenses of the Sub-Adviser, Transfer Agent, the Administrator and Accounting Agent and the Custodian. The Fund is responsible for the payment of all other expenses associated with its operation, including but not limited to, brokerage expenses, taxes, interest, fees and expenses of counsel to the Funds, fees and expenses of the Disinterested Directors (including legal counsel fees), fees and expenses of the Chief Compliance Officer and expenses associated with the Funds' compliance program, litigation expenses, fees and expenses of the Funds' independent auditors, registration fees, expenses associated with compliance by the Fund with regulatory requirements, including those relating to the development and distribution of its prospectus and shareholder reports, and extraordinary expenses. Pursuant to the Investment Advisory Agreement, the Advisor is authorized to engage one or more sub-advisers to perform any of the services contemplated to be performed by the Advisor under the Investment Advisory Agreement. The Advisor is responsible for payment of the Sub-Advisory fee, as discussed below.

The Advisor is a newly organized investment adviser located at 420 Lexington Avenue, New York, New York 10170. The Advisor's parent company is XShares Group LLC, the creator of the Underlying Indexes. The Advisor has no prior experience managing exchange-traded funds or registered investment companies. For its services provided to the Funds under the Investment Advisory Agreement, each Fund pays the Advisor a fee equal to .75% of each Fund's average daily net assets (except for the Asian Health Exchange-Traded Fund, the European Drugs Exchange-Traded Fund, and the European Medical Products and Devices Exchange-Traded Fund, each of which pay the Advisor a fee equal to .95% of each of their average daily net assets). The fee is accrued daily and paid monthly.

Sub-Adviser

BNY Investment Advisors (“Sub-Adviser”), a separate identifiable division of The Bank of New York, a New York State banking corporation, having its principal office and place of business at 1633 Broadway, 13th Floor, New York 10019, acts as investment sub-adviser to the Funds. Pursuant to a Sub-Advisory Agreement between the Advisor and the Sub-Adviser, the Sub-Adviser will be responsible for the day-to-day management of the Funds, subject to the supervision of the Advisor and the Funds’ Board of Directors. In this regard, the Sub-Adviser will be responsible for implementing the replication strategy for each Fund with regard to its Underlying Index and for general administration, compliance and management services as may be agreed between the Advisor and the Sub-Adviser from time to time. The Sub-Adviser has substantial prior experience in acting as sub-advisor to ETFs.

In accordance with the terms of the Sub-Advisory Agreement, the Advisor pays the Sub-Adviser, out of its own resources, a fee based on a percentage of the average daily net assets of each of the following HealthShares™ Funds (the “Domestic Funds”):

Autoimmune-Inflammation Exchange-Traded Fund,
Cancer Exchange-Traded Fund,
Cardio Devices Exchange-Traded Fund,
Cardiology Exchange-Traded Fund,
Dermatology and Wound Care Exchange-Traded Fund,
Diagnostics Exchange-Traded Fund,
Emerging Cancer Exchange-Traded Fund,
Enabling Technologies Exchange-Traded Fund,
GI/Gender Health Exchange-Traded Fund,
Infectious Disease Exchange-Traded Fund,
Metabolic-Endocrine Disorders Exchange-Traded Fund,
Neuroscience Exchange-Traded Fund,
Ophthalmology Exchange-Traded Fund,
Orthopedic Repair Exchange-Traded Fund,
Patient Care Services Exchange-Traded Fund,
Respiratory/Pulmonary Exchange-Traded Fund, and
Composite Exchange-Traded Fund

- 10 basis points (0.10%) of the first \$100 million in combined daily net assets of all Domestic Funds; and
- 5 basis points (0.05%) of the combined daily net assets of all Domestic Funds in excess of \$100 million.

There is a minimum annual fee of \$35,000 per Domestic Fund.

With respect to the following HealthShares™ Funds:

Asian Health Exchange-Traded Fund

European Drugs Exchange-Traded Fund, and

European Medical Products and Devices Exchange-Traded Fund (the “International Funds”):

- 20 basis points (0.20%) of the first \$50 million in combined daily net assets of all International Funds;
- 15 basis points (0.15%) of the next \$50 million in combined daily net assets of all International Funds; and
- 10 basis points (0.10%) of the combined daily net assets of all International Funds in excess of \$100 million.

There is a minimum annual fee of \$50,000 per International Fund.

A discussion regarding the basis for the Board of Directors approval of the Investment Advisory Agreement and Sub-Advisory Agreement will be available in the Funds’ annual or semi-annual report.

Portfolio Managers

Each Fund is managed by the Sub-Adviser’s Index Fund Management Division. The five most senior members are Kurt Zyla, Lloyd Buchanan, Denise Krisko, Robert McCormack and Todd Rose. Mr. Zyla, a Managing Director of the Sub-Adviser, has supervised the Index Fund Management Division since 1996. He joined the Sub-Adviser in 1989. Prior to his current position, he was employed by the Sub-Adviser in a number of capacities. Mr. Buchanan has been a Portfolio Manager in the Index Fund Management Division since January 2002. Prior to joining the Sub-Adviser, Mr. Buchanan was a Vice President and Chief Operating Officer of Axe Houghton Associates, Inc., an investment management subsidiary of Hoenig Group. Ms. Krisko is a Senior Portfolio Manager in the Index Fund Management Division. Prior to joining the Sub-Adviser in 2005, she was a portfolio manager and trader at Northern Trust (2003-2004) and at Deutsche Asset Management (2000-2003). Mr. McCormack has been a Senior Portfolio Manager in the Index Fund Management Division since 2002. Prior thereto, he was a portfolio manager and trader in the Special Equities and Products Group of the Sub-Adviser from 2001-2002. Mr. Rose has been a Portfolio Manager in the Index Fund Management Division since 2000.

Each Portfolio Manager is responsible for various functions related to portfolio management, including, but not limited to, investing cash inflows, implementing investment strategy, researching and reviewing investment strategy, and overseeing members of his or her portfolio management team with more limited responsibilities. Each Portfolio Manager has appropriate limitations on his or her authority for risk management and compliance purposes.

The Statement of Additional Information has more detailed information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities of the Funds.

Administration, Custodian and Transfer Agent

The Bank of New York serves as the Administrator to the Funds. The Administrator's principal address is 101 Barclay Street, New York, New York 10286.

The Bank of New York serves as the Custodian to the Funds. The Custodian's principal address is 101 Barclay Street, New York, New York 10286.

The Bank of New York serves as the Transfer Agent to the Funds. The Transfer Agent's principal address is 101 Barclay Street, New York, New York 10286.

Distributor

ALPS Distributors, Inc. serves as the distributor of Creation Units for each Fund on an agency basis. The Distributor's principal address is 1625 Broadway, Suite 2200, Denver, Colorado 80202. The Distributor does not maintain a secondary market in shares of the Funds.

Dividends, Capital Gains, and Taxes

Fund Distributions

Each Fund pays out dividends from its net investment income to investors annually. Each Fund distributes any net capital gains annually.

Dividend Reinvestment Service

Brokers may make available to their customers who own Fund shares the DTC book-entry dividend reinvestment service. If this service is available and used, dividend distributions of both income and capital gains will automatically be reinvested in additional whole and fractional Fund shares of the same Fund. Without this service, investors would receive their distributions in cash. To determine whether the dividend reinvestment service is available and whether

there is a commission or other charge for using this service, consult your broker. Brokers may require Fund shareholders to adhere to specific procedures and timetables. If this service is available and used, dividend distributions of both income and realized gains will be automatically reinvested in additional whole shares of the same Fund purchased in the secondary market.

Taxes

As with any investment, you should consider how your investment in shares of the Fund will be taxed. The tax information in this Prospectus is provided as general information. You should consult your own tax professional about the tax consequences of an investment in shares of the Fund.

Fund distributions and your sale of your shares in the Fund will have tax consequences to you. Such consequences may not apply if you hold your shares is made through a tax-exempt entity or tax-deferred retirement account, such as an IRA plan.

Taxes on Distributions

Distributions by us generally are taxable to you as ordinary income or capital gains. Distributions of our “investment company taxable income” (which is, generally, our ordinary income plus net short-term capital gains in excess of net long-term capital losses) will be taxable as ordinary income to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional shares.

Distributions of our net capital gains (which are our net long-term capital gains in excess of net short-term capital losses) properly designated by us as “capital gain dividends” will be taxable to you as long-term capital gains at a maximum rate of 15% in the case of individuals, trusts or estates, regardless of your holding period in the Fund’s shares and regardless of whether paid in cash or reinvested in additional shares. Distributions in excess of our earnings and profits first will reduce your adjusted tax basis in Fund’s shares and, after the adjusted basis is reduced to zero, will constitute capital gains. Such capital gain will be long-term capital gain and thus, will be taxed at a maximum rate of 15% for taxable years beginning on or before December 31, 2010, if the distributions are attributable to Fund’s shares held by you for more than one year.

Distributions by the Fund that qualify as qualified dividend income are taxable to you at the long-term capital gain rate. In order for a distribution by the Fund

to be treated as qualified dividend income, a Fund must meet holding period and other requirements with respect to its dividend paying stocks and you must meet holding period requirement and other requirement with respect to the Fund's shares.

Corporate stockholders are generally eligible for the 70% dividends received deduction with respect to ordinary income, but not capital gains dividends to the extent such amount designated by us does not exceed the dividends received by us from domestic corporations.

Under a dividend reinvestment service, you may have the option that all cash distributions are automatically reinvested in additional Fund's shares. Any distributions reinvested under such a service will nevertheless be taxable to you. You will have an adjusted basis in the additional Fund's shares purchased through such an reinvestment service equal to the amount of the reinvested distribution. The additional shares will have a new holding period commencing on the day following the day on which the shares are credited to your account.

In general, distributions are subject to federal income tax for the year when they are paid. However, certain distributions paid in January may be treated as paid on December 31 of the prior year.

It is expected that some Funds will be subject to foreign withholding taxes with respect to dividends or interest received from sources in foreign countries. Since these Funds are expected to hold predominantly securities of foreign companies, these Funds may make an election to treat a proportionate amount of such taxes as constituting a distribution to each shareholder, which would allow each shareholder either (1) to credit such proportionate amount of taxes against U.S. federal income tax liability or (2) to take such amount as an itemized deduction. You should note that if you purchase shares just before a distribution, the purchase price will reflect the amount of the upcoming distribution, but you will be taxed on the entire amount of the distribution received, even though, as an economic matter, the distribution constitutes a return of capital.

Taxes When Shares are Sold

Generally, you will recognize taxable gain or loss if you sell or otherwise disposes of your Fund's shares. Any gain arising from such sale or disposition generally will be treated as capital gain if you held the shares for more than one year. Otherwise, it would be classified as short-term capital gain. However, any capital loss arising from the sale or disposition of shares held for six months or

less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of share may be disallowed if other shares of our common stock are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition.

Additionally, any loss realized on a sale, exchange or redemption of shares of a Fund may be disallowed under “wash sale” rules to the extent the shares disposed of are replaced with other shares of the Fund within a period of 61 days beginning 30 days before and ending 30 days after the shares are disposed of, such as pursuant to a dividend reinvestment in shares of a Fund. If disallowed, the loss will be reflected in an adjustment to the basis of the shares acquired.

You may be subject to Federal back-up withholding, at a current rate of 28% if you have not provided a taxpayer identification number or social security number and made other required certifications.

You may also be subject to state and local taxes on distributions and redemptions. The foregoing is only a summary of certain tax considerations under current law, which may be subject to change in the future. Shareholders such as nonresident aliens, foreign trusts or estates, or foreign corporations or partnerships, may be subject to different United States federal income tax treatment.

You should consult your tax adviser for further information regarding federal, state, local and/or foreign tax consequences relevant to your specific situation.

More information about taxes is in the Funds’ SAI.

Daily Pricing

The net asset value, or NAV, of each Fund’s shares is calculated each business day as of the close of regular trading on the NYSE, generally 4:00 p.m., Eastern time. NAV per share is computed by dividing the net assets by the number of shares outstanding.

If you buy or sell Fund shares on the secondary market, you will pay or receive the market price, which may be higher or lower than NAV. Your transaction will be priced at NAV only if you purchase or redeem your Fund shares in Creation Unit blocks.

The approximate value of shares of each Fund is disseminated every fifteen seconds throughout the trading day by the national securities exchange on which the Fund's shares are listed or by other information providers, such as Reuters. This approximate value should not be viewed as a "real-time" update of the NAV, because the approximate value may not be calculated in the same manner as the NAV, which is computed once a day. The approximate value generally is determined by using both current market quotations and/or price quotations obtained from broker-dealers that may trade in the portfolio securities held by the Funds. The Funds are not involved in, or responsible for, the calculation or dissemination of the approximate value and make no warranty as to its accuracy.

When calculating the NAV of the Funds' shares, stocks held by the fund are valued at their market value when reliable market quotations are readily available. Certain short-term debt instruments used to manage a Fund's cash are valued on the basis of amortized cost. The values of any foreign securities held by a Fund are converted into U.S. dollars using an exchange rate obtained from an independent third party.

When reliable market quotations are not readily available, securities are priced at their fair value, which is the price a security's owner might reasonably expect to receive upon its sale. A Fund also may use fair-value pricing if the value of a security it holds has been materially affected by events occurring before the Fund's pricing time but after the close of the primary markets or exchanges on which the security is traded. This most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the Fund's pricing time. Intervening events might be company-specific (*e.g.*, earnings report, merger announcement); country-specific (*e.g.*, natural disaster, economic or political news, act of terrorism, interest rate change); or global. Intervening events include price movements in U.S. markets that are deemed to affect the value of foreign securities. Fair-value pricing may also be used by each Fund to value restricted securities held by the Funds or certain small-capitalization or mid-capitalization securities with little or no trading activity for extended periods of time. Although rare, fair-value pricing also may be used for domestic securities – for example, if (1) trading in a security is halted and does not resume before the Fund's pricing time or if a security does not trade in the course of a day, and (2) the Fund holds enough of the security that its price could affect the Fund's NAV.

Fair-value prices are determined by the Advisor according to procedures adopted by the Board of Directors. When fair-value pricing is employed, the prices of securities used by a Fund to calculate its NAV may differ from quoted or published prices for the same securities.

Delivery of Fund Documents

Householding

Householding is an option available to certain investors of the Funds. Householding is a method of delivery, based on the preference of the individual investor, in which a single copy of certain shareholder documents can be delivered to investors who share the same address, even if their accounts are registered under different names. Householding for the Funds is available through certain broker-dealers. If you are interested in enrolling in householding and receiving a single copy of the Prospectus and other shareholder documents, please contact your broker-dealer. If you are currently enrolled in householding and wish to change your householding status, please contact your broker-dealer.

Financial Highlights

Performance information is not presented for the Funds since they have no operating history.

For More Information

If you would like more information about the HealthShares™, Inc., the following documents are available free, upon request:

Annual/Semi-Annual Reports to Shareholders

Additional information about the Funds' investments will be available in the Funds' annual and semi-annual reports to shareholders. In the annual reports, you will find a discussion of the market conditions and investment strategies that significantly affected the Funds' performance during their last fiscal year.

Statement of Additional Information (SAI)

The SAI provides more detailed information about the Funds.

The annual and semi-annual reports will be incorporated by reference into this Prospectus and the SAI is incorporated by reference into, and is thus legally a part of, this Prospectus.

To receive a free copy of the latest annual or semi-annual report, when available, or the SAI, or to request additional information about the Funds, please contact us as follows:

Call: 1-800-925-2870
Monday through Friday
9:00 a.m. to 5:00 p.m. (Eastern Time)

Write: HealthShares™, Inc.
c/o ALPS Distributors, Inc.
1625 Broadway, Suite 2200
Denver, Colorado 80202

Visit: www.healthsharesinc.com

Information Provided by the Securities and Exchange Commission

You can review and copy information about the Funds (including the SAI) at the SEC's Public Reference Room in Washington, DC. To find out more about this public service, call the SEC at 1-202-551-8090. Reports and other information about the Funds are also available in the EDGAR Database on the SEC's Internet site at <http://www.sec.gov>, or you can receive copies of this information, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Public Reference Section, Securities and Exchange Commission, Washington, DC 20549-0102.

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HEALTHSHARES™, INC. (the “Company”)

Privacy Policy Notice

At HealthShares™, Inc., we are committed to maintaining the confidentiality, integrity and security of your personal information. This notice describes our privacy policy.

When you become a Shareholder in the Company or establish a customer relationship with us, we require that you provide us with certain nonpublic personal information about yourself. During the course of our relationship, we may also obtain nonpublic personal information about you from other sources.

We do not disclose any nonpublic personal information about our shareholders, potential shareholders, or former customers to anyone, except as permitted by law.

We restrict access to nonpublic personal information about you to those employees, agents or other parties who have an appropriate need to know that information. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

If you have any questions concerning our privacy policies, please contact the Company’s Compliance Officer.

This Privacy Policy Notice is not part of the Prospectus.

HealthShares™, Inc.
420 Lexington Avenue
New York, New York 10170

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XShares Advisors LLC