FEATURE

MUTUAL FUNDS

The Individual Investor's Guide to Exchange-Traded Funds 2005

By Maria Crawford Scott and Jean Henrich

Exchange-traded fund growth shows no signs of abating, either in terms of the number of funds available or total dollar assets attracted.

Since last year, over 20 new exchange-traded funds (ETFs) have been added to the lineup, including two that focus on micro-cap stocks and two gold trusts whose underlying assets are the metal itself—gold bullion.

At the same time, total assets in exchange-traded funds have grown to $253 billion from last year's $180 billion (excluding HOLDRS), according to the Investment Company Institute, an investment company trade organization. The assets include $169 billion in broad-based U.S. stock ETFs, $27 billion in U.S. sector stock ETFs, $44 billion in global and foreign stock ETFs, and $13 billion in bond ETFs.

Exchange-traded funds are passively managed portfolios of securities that track an index, offering an alternative to traditional index mutual funds. They are similar to traditional mutual funds in that they consist of a portfolio of securities. However, ETFs are listed on an exchange and trade just like an individual stock, offering trading flexibility that does not exist with traditional index funds.

The concept is not new. The first exchange-traded fund, the S&P 500-tracking SPDRs ("Spiders," ticker symbol SPY), was introduced in 1993 and was an immediate hit.

Qubes (a name derived from the original ticker QQQ, now QQQQ), which tracks the Nasdaq 100 index, was introduced in 1999 and is the most actively traded ETF today, although there are more assets in SPDRs.

What's New: Micro-Caps

Two of the newest ETF entrants hold considerable potential for individual investors—mid-August saw the unveiling of the iShares Russell Microcap Index Fund, and the PowerShares Zacks Micro-Cap Portfolio. Both funds were introduced with expense ratios of 0.60%, providing a low-cost way for individuals to invest in a diversified portfolio of micro-cap stocks.

The iShares Russell Microcap ETF tracks a customized index that represents only the most investable securities (as determined by Russell) that are included in the Russell MicrocapX Index of the 2,000 smallest U.S. firms. The customized index is expected to allow for better liquidity and includes companies with total market capitalization of approximately $50 million to $550 million. However, it does not include less-regulated OTC bulletin board securities or pink-sheet stocks priced under $1.

The PowerShares Zacks Micro-Cap Portfolio, like many of the PowerShares ETFs, tracks a semi-actively managed index—in this instance, the Zacks Micro-Cap Index—although the fund itself is passively managed since it is simply tracking an index. (Although Zacks receives a licensing fee for the use of the index, there is no other relationship between PowerShares and the index provider.)

The Zacks Index was developed by Zacks Investment Research and uses a quantitative approach that focuses on relative value and momentum. It is designed to select stocks with the greatest potential for appreciation in the micro-cap segment of the market (companies with current market capitalizations of between $58 million to $575 million). Index constituents are reviewed and subject to removal weekly, and the index is rebalanced quarterly. When the index portfolio composition is changed, the PowerShares Zacks ETF portfolio also changes to reflect the current composition of the underlying index.

ETFs Made of Gold

Two new gold ETFs also made their debut over the last year, to the delight of gold bugs worldwide.

The streetTRACKS Gold Shares Trust was introduced in November of last year and is now the second largest sector ETF, with $2.4 billion in total assets. The iShares COMEX Gold Trust was introduced last January and has proven to be less popular, with $166 million in total assets.

Unlike mutual funds that invest in the stocks of firms in the gold and gold mining industry, these new funds are designed to track the price of gold itself. Both funds hold gold bullion as their underlying net assets, and both are organized in the form of grantor trusts, with the shares representing proportional interests in the net assets—gold bullion. That means that, although they trade on an exchange like other exchange-traded products, they are not registered investment companies and thus are not regulated in the same manner as mutual funds and true exchange-traded funds (although they are also not considered commodity pools).

An important implication of the trust structure concerns taxes: Trust owners are treated as if they own a corresponding share in the underlying asset, in this case gold bullion, which is taxed as a collectible. Currently, gains from collectibles held over one year are taxed at a maximum rate of 28%, rather than the lower long-term capital gains treatment that is afforded to financial securities.

Complete Coverage

Also new to the ETF marketplace this year are several foreign ETFs, most notably the iShares FTSE/Xinhua China 25 Index, which focuses on 25 of the largest and most liquid Chinese companies.

Currently, ETFs cover almost every equity index imaginable, including the Dow Jones, S&P, Russell, Morningstar and Morgan Stanley Capital International indexes.

Fixed-income ETFs include short-, intermediate- and long-term Treasuries, corporate bonds, and even TIPS (inflation-protected Treasuries).

Exchange-traded funds are uniquely suited for individual investors, offering a low-cost and flexible way to ensure diversification in a portfolio.

Because these funds are relatively new, AAII has put together a complete listing of all existing exchange-traded funds, along with a guide to how they work and where you can get more information on them.

The next segment, "What You Need to Know About Stock-Based Exchange-Traded Funds," describes stock ETFs in more detail.

Fixed-income ETFs are discussed in "What You Need to Know About Fixed-Income Exchange-Traded Funds" on page 15.

Our listing of ETFs starts on page 16 and categorizes each one by the type of index it tracks for easier comparison of similar alternatives. The listing is broken down into these market segments:

- Broad-Based/Large-Cap ETFs
- Broad-Based/Mid-Cap ETFs
- Broad-Based Small-Cap ETFs
- Broad-Based Micro-Cap ETFs
- Specialty ETFs
- Sector ETFs (listed by sector)
- Foreign/Global ETFs
- Foreign/Regional ETFs
- Foreign/Country ETFs
- Foreign/Sector ETFs
- Fixed-Income ETFs

The listing includes recent performance and trading statistics, expense ratios, how the ETF is structured, and which index it tracks.

HOLDRS, which technically are not really "exchange-traded funds," are included in the listings under the appropriate sector.

A full listing of on-line resources is available in the Hot Links article on page 30. ▲

What You Need to Know About Stock-Based Exchange-Traded Funds

Exchange-traded funds offer many of the advantages of a traditional index fund. Because they are composed of a basket of securities that track a particular index, ETFs provide diversification within the sector of the index that they track.

And because ETFs now cover almost every sector of the equity markets, they offer an easy and low-cost way to adjust the asset allocation of any portfolio.

ETFs also have several unique advantages compared to traditional index mutual funds.

ETF Advantages

Lower Costs at the Fund Level

Although index funds have low annual expense ratios, ETFs typically—but not always—have even lower ratios. Like their traditional index fund counterparts, they are passively managed and, therefore, do not have high management fees.

Unlike traditional index funds, ETF shares are traded on an exchange and, therefore, the fund does not have to buy and sell securities to accommodate shareholder purchases and redemptions. This also results in lower annual taxable distributions by the fund, as well as lower costs.

And although an investor must pay commissions to buy and sell shares, ETFs do not impose annual 12b-1 fees.

Trading Flexibility

Because they are exchange traded, ETFs have the same trading flexibility as an individual stock:

- They can be bought and sold at intraday market prices, unlike traditional mutual funds which are bought and sold at end-of-day prices;
- They can be purchased on margin;
- They can be sold short; and
- They can be traded using stop orders and limit orders, which allow investors to specify the price points at which they are willing to buy and sell shares.

ETF Risks

Exchange-traded funds carry many of the risks of traditional index mutual funds. In particular, they face market risk—the risk that the sector of the market that they are tracking may drop based on a variety of factors such as economic conditions and global events, investor sentiment and sector-specific factors. ETFs also face other risks.

Market Pricing

The market share price of an exchange-traded fund is determined by the forces of supply and demand, not the net asset value of the underlying securities. Therefore, investors may purchase shares at a premium or discount to the fund's net asset value.

For most exchange-traded funds, these differences are insignificant.

Tracking Error

Tracking error refers to the fact that an index fund's returns can sometimes fall short of (or exceed) the benchmark returns. Most index-based tradable funds track their benchmarks closely, as do low-cost traditional index funds.

Some portfolios may exhibit larger tracking errors than typical. Such discrepancies are not necessarily a drawback for investors, especially if limited alternatives exist for gaining exposure to a tiny segment of the stock market. Yet it's important to understand why these deviations exist.

Three primary factors account for tracking errors:

- **Sampling:** A fund may sample the universe tracked by the index rather than employ full replication.
- **SEC- and IRS-mandated diversification requirements**: Investment company regulations state that a single company may account for no more than 25% of a fund's total assets. Thus, if a company makes up more than 25% of a market's index, that stock would be underweighted by the fund. To optimize a portfolio, the manager may increase weightings of other portfolio components or even go outside the index.
- **Expenses:** Even if a fund identically weights all the stocks in its benchmark, performance will be reduced by the expense ratio (i.e., net return equals gross return of index less expenses).

One other factor that can result in tracking errors for some ETFs is dividend payments. An exchange-traded fund typically pays out dividends received from the underlying stocks it holds on a quarterly basis, but the underlying stocks pay dividends throughout the quarter. Therefore, these funds may hold cash for various time periods throughout the quarter, even though the underlying benchmark index is not composed of cash. This is especially true with index ETFs that are organized as grantor trusts (i.e., HOLDRS), which cannot reinvest dividends and must hold them as cash.

The Indexes

Most ETFs are designed to replicate the holdings and correspond to the performance and yield of an underlying index.

Benchmarks tracked by exchange-traded funds fall into four general categories:

- **Broad-based indexes:** A wide cross-section of equities from a broad range of industries is included in these benchmarks. Examples are the S&P 500, Dow Jones U.S. Total Market and Russell 3000. Style-specific "growth" and "value" options exist on certain benchmarks—and you can choose between large-cap, mid-cap, small-cap and now even micro-cap firms.
- **Sector indexes:** A specific industry or stock group, such as real estate or telecommunications, is the focus. Some benchmarks are relatively broad, such as consumer services, while many others are highly defined, such as Internet companies. Two new exchange-traded funds do not track a stock index but rather gold bullion, a commodity.
- **International indexes:** Global stock indexes, regional indexes and country-specific equity indexes are included.
- **Bond indexes:** These are relative newcomers. Currently six indexes are tracked, including three of the Lehman Treasury bond indexes, one that tracks corporate bonds, one that tracks the broad bond market and one that tracks the Lehman TIPS index.

If you are interested in an ETF, you should make sure that you understand the underlying index it tracks. For example, although DIAMONDS and iShares Dow Jones U.S. Total Market Index fund both cover broad-based large-cap stocks, the performance of the underlying indexes will differ—the Dow Jones industrial average (tracked by DIAMONDS) covers only 30 stocks, while the Dow Jones U.S. Total Market

What You Need to Know About Fixed-Income Exchange-Traded Funds

Fixed-income exchange-traded funds are slowly catching on. But they have a long way to go—net assets in bond exchange-traded funds totaled $13 billion at the end of July, compared to $240 billion in equity funds.

Currently six funds track bond indexes, all of them iShares funds (see Table 2 on pages 26 and 27). One fund features TIPS—Treasury Inflation-Protected Securities—and tracks the Lehman TIPS Index. Three funds span short-, intermediate- and long-term Lehman Treasury indexes, one tracks a corporate bond index, and one tracks the broad bond market.

Bond ETFs work like their stock counterparts. Like equity ETFs, bond ETF share prices may deviate from their net asset values, producing tiny premiums or discounts throughout the trading day. Each fund has both a trading symbol and an IOPV (indicative optimized portfolio value) ticker.

The IOPV approximates the fund's net asset value and is updated every 15 seconds throughout the trading day. By comparing the IOPV and real-time stock quote for a bond ETF, you can approximate any discounts or premiums that might occur.

You can also determine a bond ETF's end-of-day discount or premium based upon its net asset value (computed daily at the market close) and last traded price. This information can be found most readily at the Web site for iShares. Keep in mind, however, that bond quote and price reporting is less well-developed than stock quote and price reporting, making the IOPV and net asset value less reliable for bond ETFs. Fortunately, bond quotes and price data are improving.

As with bonds themselves, the prices of bond ETFs vary inversely with the level of interest rates—i.e., rising rates lead to falling fixed-income security prices and vice versa. Like most bond funds, fixed-income ETFs do not pay a fixed rate of return and do not guarantee that your investment will be recouped when you cash out. Bond ETFs pay monthly dividends in cash. Individuals interested in reinvesting their dividends should contact their brokers for further information, including any fees.

Bond ETFs offer benefits similar to those of stock ETFs, such as low cost, diversification, the ability to trade shares throughout the day, and the ability to short a portfolio.

Four bond ETFs feature rock-bottom 0.15% expense ratios—a major plus for fixed-income portfolios, particularly during times of low returns. The two newer bond ETFs have 0.20% expense ratios. Tax efficiency, an advantage for stock ETFs, would not be a relevant consideration with bond ETFs because of their income orientation. Like Treasury securities themselves, Treasury bond ETFs generate income that is subject to federal income tax but should be exempt from state and local income taxes if the fund sponsor and the shareholder meet the state's administrative requirements.

The iShares GS Corporate replicates its underlying target index, but the other bond ETFs use optimized sampling techniques. Because bonds have a given lifespan before they mature, a bond ETF portfolio needs to be reconstituted frequently, reflecting changes in its target index. This process could lead to some capital gains distributions. You could generally expect a bond ETF to have a higher portfolio turnover rate than the broad-based equity ETFs tracking benchmarks like the S&P 500, Dow Jones industrial average, and the Wilshire 5000. ▲

Index is broader-based.

The Rydex S&P Equal Weight Trust covers an S&P 500 index that gives equal emphasis to all 500 stocks. In contrast, the S&P 500 index is based on market capitalizations, which means the stock performances of larger companies have a greater impact on the index; ETFs tracking the S&P 500 index will perform differently than those following the S&P 500 equal-weight index.

In other instances, the indexes are designed specifically for the fund. For example, the Select Sector SPDR Fund indexes, which cover the various sectors of the S&P 500, were designed so that, taken in combination, all eight of the Select Sector funds make up the S&P 500. These indexes are not the same as the more familiar S&P sector indexes that are published by Standard & Poor's, although they would likely perform very similarly.

Merrill Lynch's HOLDRS, which are portfolios of securities designed to cover various market sectors, do not track an index. Instead, the stocks are selected at the time a HOLDRS is introduced, based on criteria such as company size and liquidity (discussed more fully later). The American Stock Exchange (Amex) has developed

(continued on page 26)

Table 1. Stock-Based Exchange-Traded Funds

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
Broad-Based/Large Cap							
DIAMONDS Trust Series I (A: DIA)	1/20/1998	5.7	0.4	0.5	0.7	0.2	51
Fidelity NASDAQ Composite Index Tracking Stock (M: ONEQ)	9/25/2003	na	0.4	0.6	1.1	0.5	72
iShares DJ U.S. Total Market Index Fund (A: IYY)	6/12/2000	9.3	7.7	7.8	8.0	0.2	53
iShares Morningstar Large Core Index Fund (N: JKD)	6/28/2004	na	6.6	6.6	6.9	0.2	46
iShares Morningstar Large Growth Index Fund (N: JKE)	6/28/2004	na	–3.6	–3.6	–3.4	0.2	58
iShares Morningstar Large Value Index (N: JKF)	6/28/2004	na	12.8	12.8	13.1	0.3	52
iShares NYSE 100 Index Fund (N: NY)	3/29/2004	na	4.9	5.0	5.2	0.2	47
iShares NYSE Composite Index Fund (N: NYC)	3/30/2004	na	11.8	11.5	11.8	0.3	49
iShares Russell 1000 Growth Index Fund (A: IWF)	5/22/2000	7.1	1.5	1.5	1.7	0.2	57
iShares Russell 1000 Index Fund (A: IWB)	5/15/2000	9.1	7.6	7.8	7.9	0.1	53
iShares Russell 1000 Value Index Fund (A: IWD)	5/22/2000	10.8	13.6	13.9	14.1	0.2	54
iShares Russell 3000 Growth Index Fund (A: IWZ)	7/24/2000	7.3	1.5	1.6	1.9	0.3	57
iShares Russell 3000 Index Fund (A: IWV)	5/22/2000	9.3	7.8	7.9	8.1	0.1	53
iShares Russell 3000 Value Index Fund (A: IWW)	7/24/2000	11.0	13.7	13.8	14.1	0.3	51
iShares S&P 100 Index Fund (A: OEF)	10/23/2000	6.3	2.7	2.6	2.8	0.2	51
iShares S&P 500 Index Fund (A: IVV)	5/15/2000	8.2	6.2	6.3	6.3	0.1	53
iShares S&P 500/BARRA Growth Index Fund (A: IVW)	5/22/2000	6.2	1.3	1.4	1.5	0.2	54
iShares S&P 500/BARRA Value Index Fund (A: IVE)	5/22/2000	9.9	10.8	11.0	11.2	0.2	54
iShares S&P 1500 Index Fund (A: ISI)	1/20/2004	na	7.1	7.1	7.2	0.2	52
NASDAQ-100 Index Tracking Stock (M: QQQQ)	3/5/1999	12.2	–1.6	–1.5	–1.2	0.3	79
PowerShares Dynamic Market Portfolio (A: PWC)	5/1/2003	na	15.0	15.4	16.2	0.9	65
PowerShares Dynamic OTC Portfolio (A: PWO)	5/1/2003	na	13.8	14.0	14.8	0.9	85
PowerShares Dynamic Large-Cap Growth (A: PWB) ✹	3/3/2005	na	na	na	na	na	54
PowerShares Dynamic Large-Cap Value (A: PWV) ✹	3/3/2005	na	na	na	na	na	42
Rydex Russell Top 50 (A: XLG) ✹	5/10/2005	na	na	na	na	na	na
Rydex S&P Equal Weight Trust (A: RSP)	4/28/2003	na	10.1	10.2	10.6	0.4	58
SPDR O-Strip (A: OOO)	9/9/2004	na	na	na	na	na	71
SPDR Trust Series I (A: SPY)	1/29/1993	8.1	6.1	6.2	6.3	0.1	53
streetTRACKS DJ U.S. Large Cap Grth Index Fund (A: ELG)	9/25/2000	4.7	–1.4	–1.3	– 1.0	0.3	52
streetTRACKS DJ U.S. Large Cap Val Index Fund (A: ELV)	9/25/2000	9.2	10.3	10.4	10.6	0.2	47
streetTRACKS Total Market† (A: TMW)	10/4/2000	na	8.0	na	na	na	na

✹ = new exchange-traded fund
na = data is not available, data is not applicable, or ETF is too new.
† formerly Fortune 500 Index Tracking Stock (FFF)

Exchange Key: N = New York Stock Exchange
A = American Stock Exchange
M = NASDAQ

***Inception Date**: The date when trading first occurred.*
NAV Return 3 Yr (%): The three-year total return (annualized, dividends reinvested) based on a fund's net asset value, through June 30, 2005.
Market Return 1 Yr (%): The one-year total return (dividends reinvested) based on a fund's market price, through June 30, 2005.
NAV Return 1 Yr (%): The one-year total return (dividends reinvested) based on a fund's net asset value, through June 30, 2005.
Index Return 1 Yr (%): The one-year total return (dividends reinvested) of the underlying index tracked by the fund, through June 30, 2005.
***Tracking: Index – NAV Return (%)**:* The difference between the underlying index return and the fund NAV return. A negative sign indicates the fund's NAV return outperformed the index. This provides an indication of how closely the ETF portfolio tracked the index over the last year.
RiskGrade 1 Yr Avg: A risk measure that relates the volatility of a particular portfolio to a portfolio of all stocks worldwide during normal market conditions. The base worldwide stock portfolio has a RiskGrade of 100; a portfolio with a RiskGrade of 77 implies that it has a risk 77% as high as the average risk of the worldwide stock portfolio.
Price Close, 52-Week High and 52-Week Low($): The closing market price of the fund on September 15, 2005, and the high and low

Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
105.60	109.83	97.27	6,771,280	7,669.0	0.18	unit investment trust	Dow Jones Industrial Average
84.70	87.58	73.87	33,045	130.7	0.30	open-end mutual fund	NASDAQ Composite Index
59.59	60.36	52.02	26,609	430.1	0.20	open-end mutual fund	Dow Jones U.S. Total Market Index
65.29	66.00	58.11	7,669	60.9	0.20	open-end mutual fund	Morningstar Large Core Index
59.62	61.75	54.19	16,665	55.5	0.25	open-end mutual fund	Morningstar Large Growth Index
68.68	69.45	59.92	9,269	59.4	0.25	open-end mutual fund	Morningstar Large Value Index
64.42	65.60	58.38	2,332	31.7	5.15	open-end mutual fund	NYSE 100 Index
69.70	70.58	59.76	1,968	13.1	0.25	open-end mutual fund	NYSE Composite Index
49.79	50.90	44.17	755,986	3,441.9	0.20	open-end mutual fund	Russell 1000 Growth Index
66.83	67.71	58.55	448,818	2,139.1	0.15	open-end mutual fund	Russell 1000 Index
69.01	69.77	59.52	632,657	5,015.9	0.20	open-end mutual fund	Russell 1000 Value Index
40.41	41.29	35.83	31,485	142.3	0.25	open-end mutual fund	Russell 3000 Growth Index
71.08	72.06	62.07	127,391	1,952.5	0.20	open-end mutual fund	Russell 3000 Index
90.06	91.04	77.52	40,805	353.1	0.25	open-end mutual fund	Russell 3000 Value Index
57.05	58.72	52.42	258,757	798.9	0.20	open-end mutual fund	S&P 100 Index
123.07	124.73	109.41	740,715	1,328.4	0.09	open-end mutual fund	S&P 500 Index
58.50	59.53	52.81	241,000	2,636.7	0.18	open-end mutual fund	S&P 500/BARRA Growth Index
64.22	65.00	56.20	233,431	2,821.6	0.18	open-end mutual fund	S&P 500/BARRA Value Index
109.24	110.78	96.21	14,440	84.4	0.20	open-end mutual fund	S&P Composite 1500 Index
39.16	40.68	34.23	78,705,000	20,649.9	0.20	unit investment trust	NASDAQ 100 Index
44.73	45.21	34.87	74,803	320.7	0.60	open-end mutual fund	Dynamic Market Intellidex
47.08	48.43	36.85	35,212	78.9	0.60	open-end mutual fund	Dynamic OTC Intellidex
15.42	15.73	13.79	22,982	19.5	0.60	open-end mutual fund	Dynamic Large-Cap Growth Intellidex
15.99	16.17	14.21	10,765	13.3	0.60	open-end mutual fund	Dynamic Large-Cap Value Intellidex
93.22	94.32	89.64	18,805	138.8	0.20	open-end mutual fund	Russell Top 50 Index
162.97	165.12	136.46	75,494	824.6	0.40	open-end mutual fund	S&P Equal-Weight Index
52.02	55.43	46.77	32,542	61.7	0.36	open-end mutual fund	S&P O-Strip Index
123.14	124.74	105.68	54,807,400	54,364.1	0.12	unit investment trust	S&P 500 Index
47.81	49.11	43.96	21,500	82.2	0.21	open-end mutual fund	Dow Jones U.S. Large Cap Growth Index
139.72	140.79	123.88	8,140	121.7	0.21	open-end mutual fund	Dow Jones U.S. Large Cap Value Index
88.65	89.67	77.40	3,154	111.0	0.22	open-end mutual fund	Dow Jones Wilshire 5000 Composite Index

[Continued on next page]

closing prices over the last year through September 15, 2005.
Avg Daily Volume: The average volume of shares traded for the fund over the last three-month period through September 15, 2005. Lower volume typically leads to higher spreads between the bid and ask prices.
Asset Size ($ Mil): Total assets in millions of dollars.
Expense Ratio (%): The expense ratio for each fund.
ETF Structure: Whether the fund is structured as an open-end mutual fund, a unit investment trust or a grantor trust (HOLDRS and sector gold ETFs). For Vanguard ETFs, represents interest in a portfolio of stocks held in a Vanguard mutual fund.
Index Tracked: The underlying index that the fund is structured to track.

Sources: Market return and index information on performance of the funds and indexes, expense ratios, fund structure and the index tracked are from American Stock Exchange, Barclays Global Investors, State Street Global Advisors and individual fund prospectuses. NAV returns and asset size are from Standard & Poor's Micropal. Closing price, 52-week high and low, and volume are from Yahoo! Finance. RiskGrades are from Riskgrades.com.

Table 1. Stock-Based Exchange-Traded Funds (con't)

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
Vanguard Growth VIPERs (A: VUG)	1/26/2004	na	2.5	2.6	2.7	0.0	52
Vanguard Large-Cap VIPERs (A: VV)	1/27/2004	na	7.5	7.6	7.7	0.1	57
Vanguard Total Stock Market VIPERs (A: VTI)	5/24/2001	9.4	8.0	8.1	8.1	0.0	54
Vanguard Value VIPERS (A: VTV)	1/26/2004	na	12.6	12.7	12.8	0.1	50
Broad-Based/Mid Cap							
iShares Morningstar Mid Core Index Fund (N: JKG)	6/28/2004	na	13.1	13.1	13.3	0.2	58
iShares Morningstar Mid Growth Index Fund (N: JKH)	6/28/2004	na	14.3	14.2	14.5	0.3	62
iShares Morningstar Mid Value Index Fund (N: JKI)	6/28/2004	na	21.2	21.2	21.2	–0.1	51
iShares Russell MidCap Growth Index Fund (A: IWP)	7/17/2001	14.6	10.4	10.6	10.9	0.3	65
iShares Russell MidCap Index Fund (A: IWR)	7/17/2001	15.7	17.0	17.0	17.1	0.2	59
iShares Russell MidCap Value Index Fund (A: IWS)	7/17/2001	16.4	21.4	21.6	21.8	0.2	56
iShares S&P MidCap 400 Index Fund (A: IJH)	5/22/2000	13.0	14.1	14.0	14.0	0.1	63
iShares S&P MidCap 400/BARRA Grth Index Fund (A: IJK)	7/24/2000	11.3	12.0	11.8	12.1	0.3	65
iShares S&P MidCap 400/BARRA Val Index Fund (A: IJJ)	7/24/2000	14.5	16.2	16.0	16.0	0.0	62
MidCap SPDR Trust Series I (A: MDY)	5/4/1995	12.8	13.9	13.7	14.0	0.3	63
PowerShares Dynamic Mid-Cap Growth (A: PWJ) ✹	3/3/2005	na	na	na	na	na	59
PowerShares Dynamic Mid-Cap Value (A: PWP) ✹	3/3/2005	na	na	na	na	na	53
Vanguard Extended Market VIPERs (A: VXF)	12/27/2001	15.5	14.4	14.3	14.3	0.0	59
Vanguard Mid-Cap VIPERs (A: VO)	1/26/2004	na	18.5	18.4	18.3	–0.1	58
Broad-Based/Small Cap							
iShares Morningstar Small Core Index Fund (N: JKJ)	6/28/2004	na	13.5	13.7	14.0	0.3	69
iShares Morningstar Small Growth Index (N: JKK)	6/28/2004	na	2.9	3.1	3.3	0.3	83
iShares Morningstar Small Value Index Fund (N: JKL)	6/28/2004	na	15.6	15.7	16.1	0.4	68
iShares Russell 2000 Growth Index Fund (A: IWO)	7/24/2000	11.2	4.3	4.1	4.3	0.2	89
iShares Russell 2000 Index Fund (A: IWM)	5/22/2000	12.7	9.4	9.3	9.5	0.1	80
iShares Russell 2000 Value Index Fund (A: IWN)	7/24/2000	13.9	14.9	14.1	14.4	0.3	75
iShares S&P SmallCap 600 Index Fund (A: IJR)	5/22/2000	13.8	13.1	13.3	13.5	0.2	77
iShares Small Cap 600/BARRA Growth Index Fund (A: IJT)	7/24/2000	15.0	12.1	12.4	12.7	0.4	80
iShares Small Cap 600/BARRA Value Index Fund (A: IJS)	7/24/2000	12.2	13.7	13.9	14.2	0.3	77
PowerShares Dynamic Small-Cap Growth (A: PWT) ✹	3/3/2005	na	na	na	na	na	82
PowerShares Dynamic Small-Cap Value (A: PWY) ✹	3/3/2005	na	na	na	na	na	87
streetTRACKS DJ U.S. Small Cap Grth Index Fund (A: DSG)	9/25/2000	12.3	10.2	9.1	9.4	0.3	69
streetTRACKS DJ U.S. Small Cap Val Index Fund (A: DSV)	9/25/2000	14.2	10.9	10.0	10.4	0.4	73
Vanguard Small-Cap Growth VIPERs (A: VBK)	1/26/2004	na	8.6	8.3	8.3	0.0	75
Vanguard Small-Cap Value VIPERs (A: VBR)	1/26/2004	na	16.5	16.3	16.4	0.1	66
Vanguard Small-Cap VIPERs (A: VB)	1/26/2004	na	12.6	12.4	12.4	0.0	71
Broad-Based/Micro Cap							
iShares Russell Microcap Index Fund (N: IWC) ✹	8/12/2005	na	na	na	na	na	na
PowerShares Zacks Micro-Cap Portfolio (A: PZI) ✹	8/18/2005	na	na	na	na	na	na
Specialty							
iShares DJ Select Dividend Index Fund (N: DVY)	11/3/2003	na	14.4	14.6	14.7	0.1	53

✹ *= new exchange-traded fund*
na = data is not available, data is not applicable, or ETF is too new.

Exchange Key: N = New York Stock Exchange
A = American Stock Exchange
M = NASDAQ

e	Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
	52.12	53.24	46.24	31,582	158.4	0.11	open-end mutual fund*	MSCI U.S. Prime Market Growth Index
	54.52	55.17	47.68	39,469	115.8	0.07	open-end mutual fund*	MSCI U.S. Prime Market 750 Index
	121.93	123.10	105.99	118,714	4,510.2	0.07	open-end mutual fund*	MSCI U.S. Broad Market Index
	56.96	57.52	48.65	29,908	515.0	0.11	open-end mutual fund*	MSCI U.S. Prime Market Value Index
	71.59	72.45	58.00	5,748	66.3	0.25	open-end mutual fund	Morningstar Mid-Core Index
	72.93	73.86	56.90	10,202	33.3	0.30	open-end mutual fund	Morningstar Mid-Growth Index
	73.86	75.44	60.08	6,342	41.8	0.30	open-end mutual fund	Morningstar Mid-Value Index
	90.59	91.74	72.83	127,640	896.8	0.25	open-end mutual fund	Russell MidCap Growth Index
	86.30	87.28	68.91	126,980	1,243.8	0.20	open-end mutual fund	Russell MidCap Index
	123.67	125.13	98.07	131,980	1,250.0	0.25	open-end mutual fund	Russell MidCap Value Index
	71.56	72.61	58.17	185,811	2,515.3	0.20	open-end mutual fund	S&P MidCap 400 Index
	71.93	73.36	59.00	100,452	1,241.3	0.25	open-end mutual fund	S&P MidCap 400/BARRA Growth Index
	69.99	71.54	56.00	230,857	1,849.8	0.25	open-end mutual fund	S&P MidCap 400/BARRA Value Index
	130.30	132.53	106.32	1,922,440	7,313.0	0.25	unit investment trust	S&P MidCap 400 Index
	16.11	16.38	13.74	15,480	8.9	0.60	open-end mutual fund	Dynamic Mid-Cap Growth Index
	15.89	16.40	14.29	10,529	10.6	0.60	open-end mutual fund	Dynamic Mid-Cap Value Index
	88.45	90.09	71.86	17,005	288.8	0.08	open-end mutual fund*	Wilshire 4500 Index/S&P Ext Stock Mkt Index
	62.95	63.69	49.64	36,817	603.5	0.13	open-end mutual fund*	MSCI U.S. Mid Cap 450 Index
	70.72	72.93	58.87	8,077	43.2	0.25	open-end mutual fund	Morningstar Small Core Index
	65.50	67.38	53.88	3,932	27.4	0.30	open-end mutual fund	Morningstar Small Growth Index
	71.11	73.65	59.74	7,511	43.0	0.30	open-end mutual fund	Morningstar Small Value Index
	68.22	70.32	56.97	902,335	1,836.4	0.25	open-end mutual fund	Russell 2000 Growth Index
	66.17	68.52	55.55	21,800,100	7,280.9	0.20	open-end mutual fund	Russell 2000 Index
	66.24	68.87	55.79	898,988	2,634.7	0.25	open-end mutual fund	Russell 2000 Value Index
	57.51	59.11	46.99	1,229,150	3,466.4	0.20	open-end mutual fund	S&P SmallCap 600 Index
	115.02	117.27	92.09	89,243	974.8	0.25	open-end mutual fund	Small Cap 600/BARRA Growth Index
	64.01	66.30	53.30	178,389	1,497.4	0.25	open-end mutual fund	Small Cap 600/BARRA Value Index
	16.29	16.72	13.66	15,222	10.5	0.60	open-end mutual fund	Dynamic Small-Cap Growth Intellidex
	15.45	16.14	13.45	18,534	11.8	0.60	open-end mutual fund	Dynamic Small-Cap Value Intellidex
	79.48	81.31	65.90	1,926	52.1	0.27	open-end mutual fund	Dow Jones U.S. Small Cap Growth Index
	187.41	191.65	160.71	4,163	94.7	0.27	open-end mutual fund	Dow Jones U.S. Small Cap Value Index
	56.94	58.37	46.02	12,674	84.4	0.12	open-end mutual fund*	MSCI U.S. Small Cap Growth Index
	61.49	63.48	51.28	17,662	80.9	0.12	open-end mutual fund*	MSCI U.S. Small Cap Value Index
	59.20	60.80	48.66	19,040	198.0	0.10	open-end mutual fund*	MSCI U.S. Small Cap 1750 Index
	50.71	52.07	49.40	39,486	27.8	0.60	open-end mutual fund	Russell MicroCapX Index
	15.02	15.36	14.63	198,421	na	0.60	open-end mutual fund	Zacks Micro-Cap Index
	63.24	64.60	56.15	498,920	6,737.7	0.40	open-end mutual fund	Dow Jones Select Dividend Index

technically, represents interest in portfolio of stocks held in a Vanguard mutual fund.

[Continued on next page]

Table 1. Stock-Based Exchange-Traded Funds (con't)

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
iShares KLD Select Social Index (N: KLD) ✹	1/24/2005	na	na	na	na	na	49
PowerShares High Yld Eq Dividend Achievers (A: PEY) ✹	12/9/2004	na	na	na	na	na	58
PowerShares WilderHill Clean Energy (A: PBW) ✹	3/3/2005	na	na	na	na	na	85
Sector/Consumer							
iShares DJ U.S. Consum Goods Sector Index Fund (A: IYK)	6/12/2000	6.6	1.4	1.6	2.2	0.6	54
iShares DJ U.S. Consum Servs Sector Index Fund (A: IYC)	6/12/2000	6.1	6.3	6.5	7.0	0.5	57
Merrill Lynch Retail HOLDRS (A: RTH)	5/2/2001	na	9.3	na	na	na	69
PowerShares Dynamic Food & Beverage (A: PBJ) ✹	6/23/2005	na	na	na	na	na	na
PowerShares Dynamic Leisure & Entertain (A: PEJ) ✹	6/23/2005	na	na	na	na	na	na
PowerShares Dynamic Media (A: PBS) ✹	6/23/2005	na	na	na	na	na	na
Select Sector SPDR Fund - Consumer Discretionary (A: XLY)	12/22/1998	7.2	4.4	4.4	na	na	61
Select Sector SPDR Fund - Consumer Staples (A: XLP)	12/22/1998	2.5	0.3	0.4	na	na	46
Vangaurd Consumer Discretionary VIPERs (A: VCR)	1/26/2004	na	8.1	8.3	8.4	0.2	61
Vanguard Consumer Staples VIPERs (A: VDC)	1/26/2004	na	3.9	3.9	3.4	-0.5	46
Sector/Energy							
iShares DJ U.S. Energy Sector Index Fund (A: IYE)	6/12/2000	20.5	38.9	39.0	40.1	1.0	96
Merrill Lynch Market Oil Service HOLDRS (A: OIH)	2/6/2001	na	41.9	na	na	na	123
Select Sector SPDR Fund - Energy (A: XLE)	12/22/1998	21.4	43.2	43.2	na	na	99
Vanguard Energy VIPERs (A: VDE) ✹	9/23/2004	na	na	na	na	na	112
Sector/Financial							
iShares DJ U.S. Financial Sector Index Fund (A: IYF)	5/22/2000	9.2	7.6	7.8	8.5	0.6	57
iShares DJ U.S. Financial Servs Sector Index Fund (A: IYG)	6/12/2000	9.4	6.8	6.9	7.5	0.6	58
Merrill Lynch Regional Bank HOLDRS (A: RKH)	6/26/2000	na	6.4	na	na	na	58
Select Sector SPDR Fund - Financial (A: XLF)	12/22/1998	8.5	5.5	5.5	na	na	59
Vanguard Financials VIPERs (A: VFH)	1/26/2004	na	8.6	8.6	8.9	0.2	56
Sector/Health							
iShares DJ U.S. Healthcare Sector Index Fund (A: IYH)	6/12/2000	7.4	4.7	4.9	5.6	0.6	64
Merrill Lynch Pharmaceutical HOLDRS (A: PPH)	2/1/2000	na	–3.6	na	na	na	69
PowerShares Dynamic Pharmaceuticals (A: PJP) ✹	6/23/2005	na	na	na	na	na	na
Select Sector SPDR Fund - Health Care (A: XLV)	12/22/1998	6.4	2.8	2.7	na	na	62
Vanguard Health Care VIPERs (A: VHT)	1/26/2004	na	4.6	4.6	4.9	0.3	59
Sector/Industrial							
iShares DJ U.S. Industrial Sector Index Fund (A: IYJ)	6/12/2000	8.9	3.7	3.8	4.6	0.8	60
Select Sector SPDR Fund - Industrial (A: XLI)	12/22/1998	8.8	4.0	4.2	na	na	61
Vanguard Industrials VIPERs (A: VIS) ✹	9/23/2004	na	na	na	na	na	52
Sector/Materials							
iShares DJ U.S. Basic Materials Sector Index Fund (A: IYM)	6/12/2000	6.0	4.2	4.3	5.0	0.6	85
Select Sector SPDR Fund - Materials (A: XLB)	12/22/1998	7.6	3.3	3.4	na	na	82
Vanguard Materials VIPERs (A: VAW)	1/26/2004	na	5.4	5.4	5.6	0.2	81

✹ = new exchange-traded fund
na = data is not available, data is not applicable, or ETF is too new.

Exchange Key: N = New York Stock Exchange
A = American Stock Exchange
M = NASDAQ

Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
52.16	52.89	48.33	9,720	48.5	0.50	open-end mutual fund	KLD Select Social Index
15.26	15.69	14.16	166,805	370.8	0.50	open-end mutual fund	Dividend Achievers 50 Index
17.76	18.44	12.65	153,585	28.3	0.60	open-end mutual fund	Clean Energy Index
53.97	54.75	46.70	40,418	438.1	0.60	open-end mutual fund	DJ U.S. Consum Non-Cycl Sector Index
59.07	62.41	53.59	41,829	241.6	0.60	open-end mutual fund	DJ U.S. Consum Cycl Sector Index
94.54	103.96	85.96	2,949,850	na	0.08	grantor trust	no independent index
14.39	15.24	14.24	4,650	na	0.60	open-end mutual fund	Dynamic Food & Beverage Intellidex
13.97	15.09	13.74	10,078	na	0.60	open-end mutual fund	Dynamic Leisure & Entertainment Intellidex
14.75	15.11	14.65	4,895	na	0.60	open-end mutual fund	Dynamic Media Intellidex
33.16	35.55	30.62	719,340	396.4	0.25	open-end mutual fund	Consumer Discretionary Select Sector Index
23.11	23.80	21.18	1,006,260	796.8	0.25	open-end mutual fund	Consumer Staples Select Sector Index
53.14	56.29	47.80	7,698	21.0	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Consum Discre In
56.12	57.20	49.90	8,689	55.9	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Consum Staples In
88.44	89.88	59.52	116,163	645.7	0.60	open-end mutual fund	Dow Jones U.S. Energy Sector Index
119.31	121.87	76.40	5,401,880	na	0.08	grantor trust	no independent index
51.93	52.82	33.30	13,605,900	3,005.6	0.25	open-end mutual fund	Energy Select Sector Index
74.43	75.49	49.33	38,915	131.2	0.25	open-end mutual fund*	MSCI U.S. Investable Market Energy Index
95.63	98.20	86.83	20,806	308.7	0.60	open-end mutual fund	Dow Jones U.S. Financial Sector Index
107.63	113.68	101.19	27,614	133.6	0.60	open-end mutual fund	Dow Jones U.S. Financial Servs Sector Index
132.80	142.88	127.97	542,254	na	0.08	grantor trust	no independent index
29.69	30.79	27.00	5,750,330	1,486.8	0.25	open-end mutual fund	Financial Select Sector Index
52.91	54.55	48.65	7,385	31.0	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Financials Index
63.16	64.38	52.01	163,071	1,262.8	0.60	open-end mutual fund	Dow Jones U.S. Healthcare Sector Index
71.94	76.62	67.00	742,029	na	0.08	grantor trust	no independent index
16.35	16.64	14.70	17,890	36.4	0.60	open-end mutual fund	Dynamic Pharmaceuticals Intellidex
31.85	32.52	26.70	792,109	1,656.7	0.25	open-end mutual fund	Health Care Select Sector Index
54.25	55.18	44.15	24,254	162.0	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Health Care Index
55.59	57.24	50.26	27,429	227.1	0.60	open-end mutual fund	Dow Jones U.S. Industrial Sector Index
30.02	31.50	27.50	807,474	800.7	0.25	open-end mutual fund	Industrial Select Sector Index
54.56	55.70	48.58	4,249	11.0	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Industrials Index
48.44	54.50	44.54	76,203	387.8	0.60	open-end mutual fund	Dow Jones U.S. Basic Mat'ls Sector Index
27.79	32.00	26.15	2,364,950	851.2	0.25	open-end mutual fund	Basic Industries Select Sector Index
56.23	63.50	52.03	11,326	43.9	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Materials Index

**technically, represents interest in portfolio of stocks held in a Vanguard mutual fund.*

[Continued on next page]

Table 1. Stock-Based Exchange-Traded Funds (con't)

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
Sector/Natural Resources, Gold							
iShares Goldman Sachs Natural Resour Index Fund (A: IGE)	10/22/2001	18.3	33.7	33.8	34.3	0.5	88
iShares COMEX Gold Trust (A: IAU) ✹	1/21/2005	na	na	na	na	na	48
streetTRACKS Gold Shares (N: GLD) ✹	11/18/2004	na	na	na	na	na	52
Sector/Real Estate							
iShares Cohen & Steers Realty Majors Index Fund (A: ICF)	1/29/2001	21.5	35.2	35.4	36.3	0.9	82
iShares DJ U.S. Real Estate Index Fund (A: IYR)	6/12/2000	19.5	31.1	31.4	32.0	0.6	81
streetTRACKS Wilshire REIT Index Fund (A: RWR)	4/23/2001	20.5	33.1	33.6	34.2	0.6	78
Vanguard REIT VIPERs (A: VNQ) ✹	9/23/2004	na	na	na	na	na	73
Sector/Technology							
iShares DJ U.S. Technology Sector Index Fund (A: IYW)	5/15/2000	8.9	−3.7	−3.4	−2.9	0.6	84
iShares Goldman Sachs Networking Index Fund (A: IGN)	7/10/2001	22.4	−14.1	−13.9	−13.5	0.4	121
iShares Goldman Sachs Semiconductor Index Fund (A: IGW)	7/10/2001	3.2	−11.1	−11.0	−10.6	0.4	136
iShares Goldman Sachs Software Index Fund (A: IGV)	7/10/2001	12.0	1.3	1.6	2.3	0.7	99
iShares Goldman Sachs Technology Index Fund (A: IGM)	3/13/2001	8.9	−6.1	−5.8	−5.3	0.5	85
iShares NASDAQ Biotechnology Index Fund (M: IBB)	2/5/2001	10.0	−9.6	−9.8	−9.1	0.8	104
Merrill Lynch B2B Internet HOLDRS (A: BHH)	2/24/2000	na	−6.0	na	na	na	165
Merrill Lynch Biotech HOLDRS (A: BBH)	11/23/1999	na	14.2	na	na	na	111
Merrill Lynch Broadband HOLDRS (A: BDH)	4/6/2000	na	−9.6	na	na	na	119
Merrill Lynch Internet Architecture HOLDRS (A: IAH)	2/25/2000	na	−2.5	na	na	na	80
Merrill Lynch Internet HOLDRS (A: HHH)	9/24/1999	na	−15.9	na	na	na	129
Merrill Lynch Internet Infrastructure HOLDRS (A: IIH)	2/25/2000	na	4.5	na	na	na	172
Merrill Lynch Semiconductor HOLDRS (A: SMH)	5/26/2000	na	−10.5	na	na	na	137
Merrill Lynch Software HOLDRS (A: SWH)	9/27/2000	na	2.3	na	na	na	93
PowerShares Dynamic Biotech & Genome Port (A: PBE) ✹	6/23/2005	na	na	na	na	na	na
PowerShares Dynamic Semiconduct Portfolio (A: PSI) ✹	6/23/2005	na	na	na	na	na	na
PowerShares Dynamic Software Portfolio (A: PSJ) ✹	6/23/2005	na	na	na	na	na	na
PowerShares Dynamic Networking Portfolio (A: PXQ) ✹	6/23/2005	na	na	na	na	na	na
Select Sector SPDR Fund - Technology (A: XLK)	12/22/1998	8.9	−1.8	−1.5	na	na	76
streetTRACKS Morgan Stanley Tech Index Fund (A: MTK)	9/25/2000	12.3	−4.0	−4.2	−3.8	0.5	92
Vanguard Information Technology VIPERs (A: VGT)	1/26/2004	na	−3.8	−3.9	−3.7	0.2	81
Sector/Telecommunications							
iShares DJ U.S. Telecom Sector Index Fund (A: IYZ)	5/22/2000	9.7	13.0	13.0	10.7	-2.3	58
Merrill Lynch Telecom HOLDRS (A: TTH)	2/2/2000	na	9.2	na	na	na	63
Merrill Lynch Wireless HOLDRS (A: WMH)	11/1/2000	na	8.7	na	na	na	88
Vanguard Telecommunications VIPERs (A: VOX) ✹	9/23/2004	na	na	na	na	na	54
Sector/Transportation							
iShares DJ Transportation Average Index Fund (A: IYT)	10/6/2003	na	9.2	9.2	10.0	0.8	84
Sector/Utilities							
iShares DJ U.S. Utilities Sector Index Fund (A: IDU)	6/12/2000	13.4	35.3	35.5	36.4	0.9	58
Merrill Lynch Utilities HOLDRS (A: UTH)	6/26/2000	na	43.2	na	na	na	63

✹ = *new exchange-traded fund*
na = data is not available, data is not applicable, or ETF is too new.

Exchange Key: N = New York Stock Exchange M = NASDAQ
A = American Stock Exchange

Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
88.20	89.31	59.61	75,769	630.1	0.50	open-end mutual fund	Goldman Sachs Natural Resources Index
45.49	44.97	41.04	61,146	166.3	0.40	grantor trust	Comex Spot Month Settle Price (Gold Futures)
45.43	46.00	41.02	1,460,650	2,432.6	0.40	grantor trust	Price of Gold Bullion
74.72	77.53	58.37	300,651	1,518.6	0.35	open-end mutual fund	Cohen & Steers Realty Majors Index
65.85	68.46	53.18	1,955,680	1,027.6	0.60	open-end mutual fund	Dow Jones U.S. Real Estate Index
205.70	213.29	161.28	37,683	633.3	0.26	open-end mutual fund	Wilshire REIT Index
61.12	63.45	50.25	44,440	289.7	0.12	open-end mutual fund*	MSCI U.S. REIT Index
48.44	50.22	41.77	61,491	420.8	0.60	open-end mutual fund	Dow Jones U.S. Technology Sector Index
31.11	32.11	23.26	89,885	171.6	0.50	open-end mutual fund	Goldman Sachs Network Index
59.70	61.20	46.45	253,425	315.5	0.50	open-end mutual fund	Goldman Sachs Semiconductor Index
40.77	43.45	33.64	161,266	111.0	0.50	open-end mutual fund	Goldman Sachs Software Index
45.81	47.80	39.54	51,537	195.9	0.50	open-end mutual fund	Goldman Sachs Technology Index
77.75	79.40	62.30	993,258	1,185.1	0.50	open-end mutual fund	NASDAQ Biotechnology Index
2.21	2.98	1.97	60,509	na	0.08	grantor trust	no independent index
197.64	201.20	127.79	523,532	na	0.08	grantor trust	no independent index
18.51	18.97	13.16	155,532	na	0.08	grantor trust	no independent index
34.68	38.36	31.41	77,214	na	0.08	grantor trust	no independent index
59.40	72.48	50.98	417,994	na	0.08	grantor trust	no independent index
3.63	4.82	3.19	61,380	na	0.08	grantor trust	no independent index
36.90	38.32	29.23	19,449,300	na	0.08	grantor trust	no independent index
36.23	40.75	32.74	375,597	na	0.08	grantor trust	no independent index
16.88	17.40	14.60	165,697	76.7	0.60	open-end mutual fund	Dynamic Biotech & Genome Intellidex
15.92	16.33	14.34	101,681	51.2	0.60	open-end mutual fund	Dynamic Semiconductors Intellidex
16.44	16.80	14.72	5,621	27.2	0.60	open-end mutual fund	Dynamic Software Intellidex
15.65	15.99	14.45	9,895	25.4	0.60	open-end mutual fund	Dynamic Networking Intellidex
20.83	21.88	18.46	991,966	1,206.1	0.25	open-end mutual fund	Technology Select Sector Index
49.88	51.01	42.10	9,580	26.2	0.52	open-end mutual fund	Morgan Stanley Technology Index
46.90	48.42	40.60	11,760	31.5	0.25	open-end mutual fund*	MSCI U.S. Investable Market Info Tech In
23.78	24.90	22.25	197,800	388.9	0.60	open-end mutual fund	Dow Jones U.S. Telecom Sector Index
26.97	30.10	25.68	268,195	na	0.08	grantor trust	no independent index
61.20	62.87	51.57	10,517	na	0.08	grantor trust	no independent index
55.11	56.82	49.16	1,668	15.7	0.25	open-end mutual fund*	MSCI U.S. Investable Mkt Telecom Servs In
64.49	69.82	57.01	138,102	123.1	0.60	open-end mutual fund	Dow Jones Transportation Average Index
81.87	81.86	60.00	62,925	683.1	0.60	open-end mutual fund	Dow Jones U.S. Utilities Sector Index
120.18	120.00	84.90	388,774	na	0.08	grantor trust	no independent index

technically, represents interest in portfolio of stocks held in a Vanguard mutual fund.

[Continued on next page]

Table 1. Stock-Based Exchange-Traded Funds (con't)

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
Select Sector SPDR Fund - Utilities (A: XLU)	12/22/1998	13.3	37.2	37.4	na	na	60
Vanguard Utilities VIPERs (A: VPU)	1/26/2004	na	35.4	35.4	35.7	0.3	55
Foreign/Global							
BLDRS Developed Markets 100 ADR Index Fund (M: ADRD)	11/8/2002	na	11.8	11.4	na	na	60
iShares MSCI - EAFE (A: EFA)	8/14/2001	11.8	11.5	13.2	13.7	0.5	61
iShares MSCI - EAFE Growth (N: EFG) ✹	8/1/2005	na	na	na	na	na	na
iShares MSCI - EAFE Value (N: EFV) ✹	8/1/2005	na	na	na	na	na	na
iShares S&P Global 100 Index Fund (N: IOO)	12/5/2000	7.6	5.5	5.6	6.0	0.4	87
Merrill Lynch Market 2000+ HOLDRS (A: MKH)	8/30/2000	na	2.9	na	na	na	48
streetTRACKS DJ Global Titans Index Fund (A: DGT)	9/25/2000	5.8	5.5	4.8	5.5	−0.7	49
Foreign/Regional							
BLDRS Asia 50 ADR Index Fund (M: ADRA)	11/8/2002	na	4.0	3.4	na	na	69
BLDRS Emerging Markets 50 ADR Index Fund (M: ADRE)	11/8/2002	na	36.5	35.5	na	na	85
BLDRS Europe 100 ADR Index Fund (M: ADRU)	11/8/2002	na	14.4	14.4	na	na	56
iShares MSCI - EMU Index Fund (A: EZU)	7/25/2000	11.8	15.5	17.3	17.5	0.1	69
iShares MSCI Pacific Ex-Japan Index Fund (A: EPP)	10/25/2001	22.1	33.1	33.9	33.6	-0.3	71
iShares S&P Europe 350 (A: IEV)	7/25/2000	11.8	14.0	15.8	16.8	1.0	64
iShares S&P Latin America 40 Index Fund (A: ILF)	10/25/2001	33.3	62.0	61.1	59.7	−1.4	97
iShares MSCI Emerging Index Fund (A: EEM)	4/7/2003	na	34.5	35.2	34.4	−0.8	88
Merrill Lynch Europe 2001 HOLDRS (A: EKH)	1/18/2001	na	8.5	na	na	na	66
streetTRACKS DJ Euro STOXX 50 (N: FEZ)	10/15/2002	na	14.5	15.4	15.4	0.0	74
streetTRACKS DJ STOXX 50 (N: FEU)	10/15/2002	na	14.2	15.4	15.7	0.3	62
Vanguard Emerging Market VIPERs (A: VWO) ✹	3/4/2005	na	na	na	na	na	74
Vanguard European VIPERs (A: VGK) ✹	3/4/2005	na	na	na	na	na	54
Vanguard Pacific VIPERs (A: VPL) ✹	3/4/2005	na	na	na	na	na	56
Foreign/Country							
iShares FTSE/Xinhua China 25 Index (N: FXI) ✹	10/5/2004	na	na	na	na	na	79
iShares MSCI - Australia (A: EWA)	3/12/1996	25.5	37.4	38.2	37.5	-0.7	82
iShares MSCI - Austria (A: EWO)	3/12/1996	39.7	40.6	42.4	48.1	5.7	87
iShares MSCI - Belgium (A: EWK)	3/12/1996	19.4	26.0	28.4	28.4	0.0	75
iShares MSCI - Brazil (A: EWZ)	7/10/2000	39.0	73.8	71.8	74.4	2.6	140
iShares MSCI - Canada (A: EWC)	3/12/1996	21.0	28.5	29.0	28.8	-0.2	72
iShares MSCI - France (A: EWQ)	3/12/1996	11.0	14.4	15.3	15.4	0.1	66
iShares MSCI - Germany (A: EWG)	3/12/1996	8.5	10.8	12.0	12.4	0.5	77
iShares MSCI - Hong Kong (A: EWH)	3/12/1996	14.3	25.6	26.7	27.2	0.5	85
iShares MSCI - Italy (A: EWI)	3/12/1996	17.2	19.8	20.6	20.3	-0.3	69
iShares MSCI - Japan (A: EWJ)	3/12/1996	6.6	−4.3	−2.2	−1.5	0.7	90
iShares MSCI - Malaysia (Free) (A: EWM)	3/12/1996	8.3	9.5	8.8	9.4	0.6	79
iShares MSCI - Mexico (Free) (A: EWW)	3/12/1996	26.2	40.7	40.5	42.4	1.9	94
iShares MSCI - Netherlands (A: EWN)	3/12/1996	4.3	13.8	14.9	15.7	0.8	69
iShares MSCI - Singapore (Free) (A: EWS)	3/12/1996	16.4	25.7	26.0	24.3	-1.8	87
iShares MSCI - South Africa (A: EZA)	2/3/2003	na	27.7	29.2	30.5	1.3	110
iShares MSCI - South Korea (A: EWY)	5/9/2000	14.3	33.4	34.4	34.8	0.4	119

✹ = new exchange-traded fund
na = data is not available, data is not applicable, or ETF is too new.

Exchange Key: N = New York Stock Exchange   M = NASDAQ
A = American Stock Exchange

le g	Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
	33.52	33.75	24.77	1,858,000	1,812.9	0.25	open-end mutual fund	Utilities Select Sector Index
	69.45	69.71	52.95	17,123	50.3	0.25	open-end mutual fund*	MSCI U.S. Investable Market Utilities Index
	70.59	78.30	49.99	3,468	26.1	0.30	unit investment trust	BNY Developed Markets 100 ADR Index
	57.01	57.83	46.25	2,346,810	15,992.8	0.35	open-end mutual fund	MSCI EAFE Index
	53.57	54.00	51.50	na	43.0	0.40	open-end mutual fund	MSCI EAFE Growth Index
	53.29	53.85	51.37	na	43.0	0.40	open-end mutual fund	MSCI EAFE Value Index
	62.92	63.95	55.98	44,403	350.7	0.40	open-end mutual fund	S&P Global 100 Index
	55.15	56.50	51.38	1,715	na	0.08	grantor trust	no independent index
	65.24	66.30	59.30	12,662	108.2	0.51	open-end mutual fund	Dow Jones Global Titans Index
	74.52	82.95	59.91	3,054	33.4	0.30	unit investment trust	BNY Asia 50 ADR Index
	104.15	104.99	68.40	25,637	57.2	0.30	unit investment trust	BNY Emerging Markets 50 ADR Index
	71.55	74.00	59.24	2,905	13.3	0.30	unit investment trust	BNY Europe 100 ADR Index
	76.05	80.79	60.96	43,597	550.9	0.59	open-end mutual fund	MSCI EMU Index (European Monetary Union)
	101.35	101.83	76.77	96,558	1,286.6	0.50	open-end mutual fund	MSCI Pacific Ex-Japan Index
	79.88	81.68	65.20	65,749	1,141.7	0.60	open-end mutual fund	S&P Europe 350
	111.31	111.41	63.50	81,518	372.8	0.50	open-end mutual fund	S&P Latin America 40 Index
	81.20	83.00	55.49	1,626,080	4,719.9	0.75	open-end mutual fund	MSCI Emerging Index
	66.95	68.56	55.51	1,365	na	0.08	grantor trust	no independent index
	40.93	43.72	33.48	231,785	177.7	0.33	open-end mutual fund	Dow Jones EURO STOXX 50 Index
	39.31	40.04	32.97	4,285	29.4	0.33	open-end mutual fund	Dow Jones STOXX 50 Index
	55.63	55.75	45.15	61,365	126.1	0.30	open-end mutual fund*	Select Emerging Markets Index
	52.34	53.40	47.68	25,566	102.4	0.18	open-end mutual fund*	MSCI Europe Index
	54.28	54.50	46.45	16,018	64.8	0.18	open-end mutual fund*	MSCI Pacific Index
	62.00	65.90	50.20	204,098	891.9	0.74	open-end mutual fund	FTSE/Xinhua China 25 Index
	19.12	19.27	13.69	206,525	325.1	0.59	open-end mutual fund	MSCI Australia Index
	27.28	27.63	16.76	83,515	179.1	0.59	open-end mutual fund	MSCI Austria Index
	19.08	19.65	15.26	38,389	68.4	0.59	open-end mutual fund	MSCI Belgium Index
	30.32	30.17	17.21	1,050,360	427.1	0.74	open-end mutual fund	MSCI Brazil Index
	20.99	21.50	14.62	241,872	322.6	0.59	open-end mutual fund	MSCI Canada Index
	25.73	26.43	20.53	41,945	57.0	0.59	open-end mutual fund	MSCI France Index
	19.30	20.07	15.39	375,120	158.6	0.59	open-end mutual fund	MSCI Germany Index
	13.23	13.52	10.77	478,297	572.9	0.59	open-end mutual fund	MSCI Hong Kong Index
	26.28	26.99	20.59	13,565	40.3	0.59	open-end mutual fund	MSCI Italy Index
	11.62	11.62	9.45	12,222,000	6,297.5	0.59	open-end mutual fund	MSCI Japan Index
	7.34	7.80	6.61	549,677	324.6	0.59	open-end mutual fund	MSCI Malaysia Index
	31.04	31.42	19.87	404,391	258.6	0.59	open-end mutual fund	MSCI Mexico Index
	19.30	20.25	15.88	27,831	54.0	0.59	open-end mutual fund	MSCI Netherlands Index
	8.00	8.35	6.60	391,966	280.1	0.59	open-end mutual fund	MSCI Singapore Index
	87.43	88.06	60.98	18,758	127.9	0.74	open-end mutual fund	MSCI South Africa Index
	38.50	42.00	24.01	354,683	541.8	0.74	open-end mutual fund	MSCI South Korea Index

**technically, represents interest in portfolio of stocks held in a Vanguard mutual fund.*

Table 1. Stock-Based Exchange-Traded Funds (con't)

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)	RiskGrade 1 Yr Avg
iShares MSCI - Spain (A: EWP)	3/12/1996	22.2	22.4	23.9	23.0	–0.9	74
iShares MSCI - Sweden (A: EWD)	3/12/1996	21.8	15.7	18.1	18.2	0.1	87
iShares MSCI - Switzerland (A: EWL)	3/12/1996	7.8	9.8	10.6	10.4	–0.2	73
iShares MSCI - Taiwan (A: EWT)	6/20/2000	7.4	13.1	14.1	14.6	0.4	122
iShares MSCI - United Kingdom (A: EWU)	3/12/1996	11.8	13.3	16.0	16.8	0.8	61
iShares S&P TOPIX 150 Index Fund (A: ITF)	10/23/2001	5.4	–4.3	–2.8	–2.3	0.5	83
PowerShares Golden Dragon Halter USX China (A: PGJ) ✹	12/9/2004	na	na	na	na	na	74
Foreign/Sector							
iShares S&P Global Energy Index Fund (A: IXC)	11/12/2001	19.3	36.6	38.1	38.5	0.4	83
iShares S&P Global Financial Index Fund (A: IXG)	11/12/2001	10.2	10.9	11.4	12.0	0.7	53
iShares S&P Global Healthcare Index Fund (A: IXJ)	11/13/2001	5.9	5.5	5.6	6.0	0.5	63
iShares S&P Global Info Technology Index Fund (A: IXN)	11/12/2001	8.2	–4.1	–3.7	–2.8	0.9	84
iShares S&P Global Telecom Index Fund (A: IXP)	11/12/2001	13.0	11.6	12.0	12.1	0.1	59

✹ = new exchange-traded fund
na = data is not available, data is not applicable, or ETF is too new.

Exchange Key: N = New York Stock Exchange M = NASDAQ
A = American Stock Exchange

Table 2. Fixed-Income Exchange-Traded Funds

Name	Inception Date	NAV Return 3 Yr (%)	Market Return 1 Yr (%)	NAV Return 1 Yr (%)	Index Return 1 Yr (%)	Tracking: Index – NAV Return (%)
iShares Lehman 1-3 Year Treasury Bond Fund (A: SHY)	7/22/2002	na	1.8	1.8	1.9	0.1
iShares Lehman 7-10 Year Treasury Bond Fund (A: IEF)	7/22/2002	na	8.7	8.6	8.6	0.0
iShares Lehman 20+ Year Treasury Bond Fund (A: TLT)	7/22/2002	na	21.0	21.0	21.1	0.1
iShares GS $ InvesTop Corporate Bond Fund (A: LQD)	7/22/2002	na	9.0	9.3	9.2	–0.1
iShares Lehman TIPS Bond Fund (N: TIP)	12/4/2003	na	9.2	9.1	9.3	0.2
iShares Lehman Aggregate Bond Fund (A: AGG)	9/22/2003	na	6.7	6.6	6.8	0.2

Source: Barclays Global Investors and Yahoo! Finance.

Exchange Key: N = New York Stock Exchange
A = American Stock Exchange

***Inception Date**:* The date when trading first occurred.
NAV Return 3 Yr (%): The three-year total return (annualized, dividends reinvested) based on a fund's net asset value, through June 30, 2005.
Market Return 1 Yr (%): The one-year total return (dividends reinvested) based on a fund's market price, through June 30, 2005.
NAV Return 1 Yr (%): The one-year total return (dividends reinvested) based on a fund's net asset value, through June 30, 2005.
Index Return 1 Yr (%): The one-year total return (dividends reinvested) of the underlying index tracked by the fund, through June 30, 2005.
***Tracking: Index – NAV Return (%)**:* The difference between the underlying index return and the fund NAV return. A negative

(continued from page 15)

indexes to follow the value of the various HOLDRS, but the HOLDRS came first and do not track the index. Similarly, the "Dynamic Intellidexes" have been created for many of the PowerShares exchange-traded funds. (The performance of the Amex indexes can be viewed at the Amex Web site, www.amex.com, in the indexes section of "Other Products.")

Information on the underlying indexes can be found in each ETF's prospectus, and in many instances at the fund sponsor's Web site (see page 30 for a list of sponsor Web sites).

Structure

There are three main structures for index ETFs:

- **Open-end index mutual fund:** By far the most common structure, these are registered with the SEC as investment companies.

Price Close 9/15/2005 ($)	Price 52-Wk High ($)	Price 52-Wk Low ($)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
37.01	37.94	27.96	21,438	63.1	0.59	open-end mutual fund	MSCI Spain Index
21.93	22.63	17.00	25,163	61.6	0.59	open-end mutual fund	MSCI Sweden Index
18.10	18.46	14.65	40,229	66.8	0.59	open-end mutual fund	MSCI Switzerland Index
11.67	13.00	10.40	719,649	792.4	0.74	open-end mutual fund	MSCI Taiwan Index
19.08	19.48	15.93	148,677	478.4	0.59	open-end mutual fund	MSCI United Kingdom Index
99.90	99.56	81.81	4,578	92.2	0.50	open-end mutual fund	S&P/Tokyo Stock Price 150 Index
14.13	15.03	12.53	35,429	51.0	0.60	open-end mutual fund	Halter USX China Index
98.86	100.36	66.83	66,963	326.5	0.65	open-end mutual fund	S&P Global Energy Sector Index
68.05	68.74	58.95	6,377	76.6	0.65	open-end mutual fund	S&P Global Financials Sector Index
52.00	53.30	44.01	34,260	363.7	0.65	open-end mutual fund	S&P Global Healthcare Sector Index
51.37	52.93	44.65	9,472	46.5	0.65	open-end mutual fund	S&P Global Info Technology Sector Index
52.01	53.96	45.50	11,729	41.8	0.65	open-end mutual fund	S&P Global Telecom Sector Index

8/31/2005 Weighted Avg Mat		Dividend Yield (as of 8/31/05)					
Fund (Yrs)	Index (Yrs)	(%)	Avg Daily Volume	Asset Size ($ Mil)	Exp Ratio (%)	ETF Structure	Index Tracked
1.7	1.9	2.43	327,395	3,791.6	0.15	open-end mutual fund	Lehman 1-3 Year Treasury Index
7.6	8.7	3.67	216,112	884.3	0.15	open-end mutual fund	Lehman 7-10 Year Treasury Index
22.3	22.9	4.25	1,098,250	502.6	0.15	open-end mutual fund	Lehman 20+ Year Treasury Index
10.0	9.8	4.65	162,394	2,566.3	0.15	open-end mutual fund	Goldman Sachs InvesTop Index
10.5	10.6	4.06	148,283	2,419.3	0.20	open-end mutual fund	Lehman U.S. Treasury Inflation Notes Index
6.4	6.9	3.72	136,071	1,765.1	0.20	open-end mutual fund	Lehman U.S. Aggregate Index

sign indicates the fund's NAV return outperformed the index. This provides an indication of how closely the ETF portfolio tracked the index over the last year.
Weighted Average Maturity (Yrs): Average maturity of the bonds based on their percentage holding in the fund or index.
Dividend Yield (%): Yield net of expenses for the most recent 30-day period as of August 31, 2005.
Avg Daily Volume: Average volume of shares traded for the last three-month period through August 31, 2005.
Asset Size ($ mil): Total Assets in millions of dollars.
Expense Ratio (%): The expense ratio for each fund.
ETF Structure: Whether the fund is structured as an open-end mutual fund, a unit investor trust or a grantor trust (HOLDRS).
Index Tracked: The underlying index that the fund is structured to track.

Examples are iShares funds and Select Sector SPDRs.

- **Unit investment trust:** Also registered with the SEC as investment companies, but far less common. However, the first ETFs were structured this way and, thus, the most popular ETFs—Qubes, DIAMONDS and SPDRs, are structured as unit investment trusts.
- **Exchange-traded grantor trust:** The most similar to actually owning the underlying shares. These are not registered as investment companies and are not considered "exchange-traded funds" under strict definitions of the term. Examples include the HOLDRs funds, and the two exchange-traded sector gold funds.

What's the advantage of one structure over another?

Open-End and Unit Investment Trusts

The differences between ETFs structured as open-end mutual funds and unit investment trusts are relatively minor.

ETFs structured as open-end mutual funds can reinvest the dividends they receive from their underlying holdings in the fund when they receive them, whereas unit investment trusts cannot. The latter accumulate the dividends and reinvest them quarterly, resulting in a so-called "dividend drag" during rising markets. The drag is not that significant with an S&P 500 index fund because the benchmark currently yields only about 1.8%. It would be more noticeable with higher-yielding portfolios.

The open-end structure also allows a fund to use stock index futures to equitize its dividend stream, enabling it to be more fully invested in the underlying index.

In addition, stock loans can be made by open-end funds but not by unit investment trusts. The interest generated by such loans theoretically results in lower expenses. Stock lending is most significant for a fund that owns a lot of hard-to-borrow stock.

Grantor Trusts

Exchange-traded funds structured as grantor trusts operate quite a bit differently than ETFs structured as investment companies.

Merrill Lynch's HOLDRS are the largest group of funds organized as grantor trusts. Many information providers do not define HOLDRS as "exchange-traded funds" but rather list them separately. HOLDRS do provide diversified exposure to a particular industry, sector or group. However, HOLDRS allow you to keep ownership benefits related to the underlying stocks: the right to vote shares, to receive dividends and to sell the stock when you want to.

HOLDRS also do not track an independent index. When a new HOLDR is developed, an industry, sector or group of securities is identified and the underlying stocks to be included in the HOLDR are then selected for inclusion on the basis of objective criteria—such as market capitalization, liquidity, price-earnings ratio or other measures. The selected stocks may be weighted equally or on a modified market-cap basis.

However, once determined, stock composition does not change unless due to a corporate event such as a merger or spin-off. Because the relative weightings of the stocks are a function of market prices, the relative weightings within the HOLDRS will change substantially over time.

The other unique feature of HOLDRS is that you can take delivery of the underlying securities if you choose, by canceling your HOLDR. To cancel, you simply instruct your broker to deliver your HOLDRS to the HOLDRS trustee and pay a cancellation fee. The trustee will transmit ownership of the underlying shares to your account. Canceling a HOLDR is not a taxable event.

Two new exchange-traded funds, the iShares COMEX Gold Trust and streetTRACKS Gold Shares, are designed to track the price of gold; both are organized as grantor trusts. The trusts issue shares representing interests in their net assets, which for both trusts will be primarily physical holdings of gold bullion. Neither of these two funds are registered under the Investment Company Act, which means they are regulated differently than most other exchange-traded funds.

Trading ETFs

Because ETFs trade like stocks, you need to know their trading characteristics.

Pricing Considerations

Exchange-traded funds have pricing symbols for three different variables:

- **A stock price**—the price at which trading occurs.
- **An official closing net asset value**—with a few exceptions, this quantity is computed as of 4:00 p.m. Eastern time each business day.
- **An estimated intraday net asset value**—this number is updated every 15 seconds based on the real-time prices of each of a fund's underlying holdings. It is called "intraday value" for the domestic funds and "indicative optimized portfolio value" for the non-U.S. portfolios. The latter number also reflects changes in foreign-exchange rates. Thus, the value can fluctuate on the basis of currency movements if the home market is closed when an iShares MSCI fund trades in New York.

Ticker symbols for these funds, along with considerable other trading, performance and structural details, can be found in the individual fund "tear sheets" at the American Stock Exchange Web site.

Premiums and Discounts

While premiums and discounts are generally not a major issue, they may be larger in special instances. End-of-day discounts and premiums are readily available at ETF Connect (www.eftconnect.com). In addition, Barclays Global Investors' Web site provides this information daily for all iShares (www.ishares.com). Finally, Morningstar (www.morningstar.com) provides historical discount/premium charts as a part of its Morningstar Quicktake Reports. (See page 30 for more Web resources.)

Liquidity and Trading

Liquidity is the ease with which an investment can be bought or sold for a price at or very close to the recent quote.

Some of the newer funds are based on highly specialized indexes and thus may not appeal to enough investors to gain adequate liquidity. It's very difficult for market makers to trade shares of illiquid funds. Low volume and wide spreads often plague such funds. (The spread is the difference between a fund's bid and asked prices.)

You can try to minimize or avoid the spread with a tradable fund. A price-conscious way to buy and sell shares is by placing a limit order to buy at or slightly below the bid and to sell at or slightly above the asked price. Prices fluctuate throughout the day and—as with any stock or closed-end fund—it's very difficult to time your trade so as to buy at the day's low or sell at the day's high. The limit order provides control.

What the Listings Show

Exchange & Ticker Symbol

The exchange and ticker symbol are provided next to the fund name. The ticker symbol that is given is for the stock price at which trading occurs. This is the symbol you would use when buying or selling shares.

Performance Information

Market Return: The one-year return net of expenses for each fund based on its market price, through June 30, 2005. This is the actual return you would have received if you had invested in the fund over that one-year time period. Keep in mind, however, that it does not include brokerage commissions or spread costs you would incur when buying or selling the shares.

NAV Returns: The three-year annualized return and one-year return net of expenses for each fund based on its net asset value, through June 30, 2005. This provides an indication of how the underlying portfolio of stocks performed over the time period. Funds in which the market return is closer to the NAV return trade with lower discounts and premiums.

Index Return: The one-year return through June 30, 2005, of the underlying index tracked by the fund. Index returns are not included for HOLDRS because they do not track an index.

Tracking Index – NAV Return: The difference between the index return and the fund's NAV return, an indication of how closely the ETF tracked its underlying index over the time period. Most funds tend to underperform the index, primarily due to expenses. Other factors may also lead to tracking differences. Note that a negative sign indicates a fund outperformed the index.

Risk

RiskGrade: A risk measure that relates the volatility of a particular portfolio to a portfolio of all stocks worldwide during normal market conditions. The base worldwide stock portfolio has a RiskGrade of 100; a portfolio with a RiskGrade of 77 implies that it has a risk 77% as high as the average risk of the worldwide stock portfolio. (The RiskGrade Web site at www.riskgrades.com provides the mathematical details of the approach.)

Trading Information

Closing Price, 52-Week High and 52-Week Low: The closing market price of the fund on September 15, 2005, and the high and low prices over the last year through September 15, 2005.

Volume: The average daily volume of shares traded for the fund for the last three-month period through September 15, 2005, providing an indication of the liquidity of the fund. Lower volume tends to lead to wider spreads between the buy and sell prices of the fund.

Asset Size: The net assets of the fund presented in millions of dollars. This provides an indication of the fund's size, popularity and flexibility.

Expenses

Expense Ratio: The expense ratio for each fund. Keep in mind that these expenses are at the fund level. To purchase or sell shares, you will incur brokerage commissions.

ETF Structure

Whether the fund is structured as an open-end mutual fund, a unit investor trust or a grantor trust (HOLDRs and gold sector ETFs).

Index Tracked

The underlying index that the fund is structured to track. ➤

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