

MARKET VECTORS ETF TRUST

Form 485APOS

September 03, 2015

As filed with the Securities and Exchange Commission on September 3, 2015

**Securities Act File No. 333-123257**

**Investment Company Act File No. 811-10325**

**United States Securities and Exchange Commission**

Washington, D.C. 20549

**FORM N-1A**

<b>Registration Statement Under the Securities Act of 1933</b>	x
Pre-Effective Amendment No.	o
Post Effective Amendment No. 2,019	x
and/or	
<b>Registration Statement Under the Investment Company Act of 1940</b>	x
Amendment No. 2,023	x

**MARKET VECTORS ETF TRUST**

(Exact Name of Registrant as Specified in its Charter)

**666 Third Avenue, 9<sup>th</sup> Floor**

**New York, New York 10017**

(Address of Principal Executive Offices)

**(212) 293-2000**

Registrant's Telephone Number

**Jonathan R. Simon, Esq.**

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**Van Eck Associates Corporation**

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**New York, New York 10017**

(Name and Address of Agent for Service)

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**New York, New York 10036**

Approximate Date of Proposed Public Offering: **As soon as practicable after the effective date of this registration statement.**

**IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE (CHECK APPROPRIATE BOX)**

- Immediately upon filing pursuant to paragraph (b)
- On [date] pursuant to paragraph (b)
- 60 days after filing pursuant to paragraph (a)(1)
- On [date] pursuant to paragraph (a)(1)
- x 75 days after filing pursuant to paragraph (a)(2)
- On [date] pursuant to paragraph (a)(2) of rule 485

**The information in this Prospectus is not complete and may be changed. The Trust may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion**

**Preliminary Prospectus dated September 3, 2015**

Market Vectors Generic Drugs ETF (GNRX)

[Date]

Principal U.S. Listing Exchange for the Fund: The NASDAQ Stock Market, Inc.

The U.S. Securities and Exchange Commission (“SEC”) has not approved or disapproved these securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

**Table of Contents**

<u>Summary Information</u>	3
<u>Additional Information About the Fund's Investment Strategies and Risks</u>	10
<u>Tax Advantaged Product Structure</u>	25
<u>Portfolio Holdings</u>	25
<u>Management of the Fund</u>	25
<u>Portfolio Managers</u>	26
<u>Shareholder Information</u>	27
<u>Index Provider</u>	31
<u>Indxx Global Generics &amp; New Pharma Index</u>	32
<u>License Agreement and Disclaimer</u>	33
<u>Financial Highlights</u>	34
<u>Premium/Discount Information</u>	35
<u>General Information</u>	36

Summary Information

MARKET VECTORS GENERIC DRUGS ETF

Investment Objective

Market Vectors Generic Drugs ETF (the “Fund”) seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Indxx Global Generics & New Pharma Index (the “Index”).

Fund Fees and Expenses

The following tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”).

<b>Shareholder Fees</b> (fees paid directly from your investment)	None
<b>Annual Fund Operating Expenses</b> (expenses that you pay each year as a percentage of the value of your investment)	
Management Fee	[    ] %
Other Expenses <sup>(a)</sup>	[    ] %
Total Annual Fund Operating Expenses <sup>(b)</sup>	[    ] %
Fee Waivers and Expense Reimbursement <sup>(b)</sup>	([    ]) %
Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement <sup>(b)</sup>	[    ] %

<sup>(a)</sup>“Other Expenses” are based on estimated amounts for the current fiscal year.

Van Eck Associates Corporation (the “Adviser”) has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding acquired fund fees and expenses, interest expense, offering costs, trading expenses, taxes and extraordinary expenses) from exceeding [    ]% of the Fund’s average daily net assets per year until at least [    ]. During such time, the expense limitation is expected to continue until the Fund’s Board of Trustees acts to discontinue all or a portion of such expense limitation.

Expense Example

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This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% annual return and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

### **YEAR EXPENSES**

1	\$[ ]
3	\$[ ]

### Portfolio Turnover

The Fund will pay transaction costs, such as commissions, when it purchases and sells securities (or "turns over" its portfolio). A higher portfolio turnover will cause the Fund to incur additional transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which

3

are not reflected in annual fund operating expenses or in the example, may affect the Fund's performance. Because the Fund is newly organized, no portfolio turnover figures are available.

### Principal Investment Strategies

The Fund normally invests at least 80% of its total assets in securities that comprise the Fund's benchmark index. The Index includes exchange-listed companies, on a global basis, that derive a significant proportion (as determined by Indxx, LLC (the "Index Provider")) of their revenues (or that have the potential to derive a significant proportion of their revenues) from the generic drug industry, or that have a primary business focus on the generic drug industry. The universe of companies in the generic drug industry is determined based on proprietary research and analysis conducted by the Index Provider. The Index Provider uses a variety of publicly available sources for such analysis, including financial statements and other reports published by companies to determine whether the company is actively engaged in the generic drug industry. Products of these companies are pharmaceuticals that are identical, or bioequivalent in the dosage form, safety, strength, quality and intended usage to brand name pharmaceuticals. Such companies may include small and medium-capitalization companies and foreign issuers. As of July 31, 2015, the Index included 82 securities of companies with a minimum market capitalization of \$1 billion and a weighted average market capitalization of \$33.58 billion. These amounts are subject to change. The Fund's 80% investment policy is non-fundamental and may be changed without shareholder approval upon 60 days' prior written notice to shareholders.

The Fund, using a "passive" or indexing investment approach, attempts before fees and expenses to approximate the investment performance of the Index by investing in a portfolio of securities that generally replicates the Index.

The Fund may concentrate its investments in a particular industry or group of industries to the extent that the Index concentrates in an industry or group of industries. As of July 31, 2015, the Index was concentrated in the pharmaceutical sector, and the biotechnology sector represented a significant portion of the Index.

### Principal Risks of Investing in the Fund

**Investors in the Fund should be willing to accept a high degree of volatility in the price of the Fund's Shares and the possibility of significant losses. An investment in the Fund involves a substantial degree of risk. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Therefore, you should consider carefully the following risks before investing in the Fund, each of which could significantly and adversely affect the value of an investment in the Fund.**

*Risk of Investing in the Pharmaceutical Sector.* The success of companies in the pharmaceutical sector that produce generic drugs is highly dependent on the development, procurement and marketing of these drugs. Many companies

that produce generic drugs compete with large, well-financed pharmaceutical companies with more experienced development and marketing groups. For example, brand-name drug manufacturers do not face any significant regulatory approval or other barriers to enter into the generics market. These brand-name companies may sell generic versions of their products to the market directly or grant certain companies rights to sell “authorized generics” to the detriment of other companies operating in the sector. Moreover, brand-name companies continually seek new ways to delay the introduction of generic products and/or decrease the impact of generic competition, such as filing new patents on drugs whose original patent production is about to expire, developing patented controlled-release products, changing product claims and labeling, or developing and marketing as over-the-counter products those branded products that are about to face generic competition. Additionally, brand-name companies increasingly have used state and federal legislative and regulatory means to delay generic



competition. If brand-name companies or other third-parties are successful in limiting the use of generic products through these or other means, sales of generic products may decline, which would adversely affect companies that produce generic drugs.

The research and other costs associated with developing or procuring generic drugs and the related intellectual property rights can be significant, and the results of such research and expenditures are unpredictable. To the extent that the Index continues to be concentrated in the pharmaceutical sector, the Fund will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the pharmaceutical sector. In addition, pharmaceutical companies that produce generic drugs may be susceptible to product obsolescence and face intense competition from less costly generic products. Fewer generic pharmaceutical launches or launches that are less profitable than those previously experienced may have an adverse effect on the profits of companies producing generic drugs. Additionally, prices for existing generic drugs generally decline over time, although this may vary. Price deflation on existing generic drugs may have an adverse effect on profits for all companies that produce generic drugs. As additional companies begin to introduce generic equivalents of a drug, revenues and gross margins from such products may potentially decline rapidly. Moreover, the manufacturing, processing, formulation, packaging, labeling, testing, storing, distributing, marketing, advertising and sale of generic drug products, among other things, are subject to extensive regulation by one or more U.S. agencies, including the U.S. Food and Drug Administration (the "FDA"). Approval by the FDA is required before any new drug, including any new generic drug, may be marketed or sold in the United States, which may be long and costly and there can be no assurance that the necessary approvals will be obtained or maintained. Additionally, companies that produce generic drugs do not benefit from patent protections and are therefore more subject to the risk of competition than patented products. The ability of such companies to market products successfully also depends, in part, upon the acceptance of the products not only by consumers, but also by independent third-parties (including pharmacies, government formularies, managed care providers, insurance companies and retailers).

Companies in the pharmaceutical sector that produce generic drugs may also be subject to expenses and losses from extensive litigation based on intellectual property, product liability and similar claims. Companies in the pharmaceutical sector may be adversely affected by government regulation, restrictions on reimbursement rates, industry innovation, changes in technologies and other market developments. The ability of many pharmaceutical companies to commercialize current and any future products depends in part on the extent to which reimbursement for the cost of such products and related treatments are available from third party payors, such as Medicare, Medicaid and other government sponsored programs, private health insurance plans and health maintenance organizations.

The international operations of many pharmaceutical companies expose them to risks associated with instability and changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations and other risks inherent to international business. Such companies also may be characterized by thin capitalization and limited markets, financial resources or personnel, as well as dependence on wholesale distributors. A pharmaceutical company's valuation can be adversely affected if one of its products proves unsafe, ineffective or unprofitable. Counterfeit versions of a drug could also harm a company's reputation. The stock prices of companies in the pharmaceutical sector have been and will likely continue to be extremely volatile. Some of the companies in the Index are engaged in other lines of business unrelated to the production of generic drugs, and they may experience problems with these lines of business which could adversely affect their operating results. The operating results of these companies may fluctuate as a result of these additional risks and events in the other lines of business. In addition, a company's ability to engage in new activities may expose it to business risks with which it has less experience than it has with the business risks associated with its traditional businesses. Despite a company's possible success in

traditional pharmaceutical activities, there can be no assurance that the

5

other lines of business in which these companies are engaged will not have an adverse effect on a company's business or financial condition.

*Risk of Investing in the Biotechnology Sector.* The success of biotechnology companies is highly dependent on the development, procurement and/or marketing of drugs. To the extent that the biotechnology sector continues to represent a significant portion of the Index, the Fund will be sensitive to changes in, and its performance may depend to a greater extent on, the overall condition of the biotechnology sector. Companies operating in the biotechnology sector are subject to similar risks of companies operating in the pharmaceutical sector, as discussed in more detail above. Additionally, a biotechnology company's valuation can often be based largely on the potential or actual performance of a limited number of products. A biotechnology company's valuation can also be greatly affected if one of its products proves unsafe, ineffective or unprofitable. Such companies may also be characterized by thin capitalization and limited markets, financial resources or personnel. The stock prices of companies in the biotechnology sector have been and will likely continue to be extremely volatile, particularly when their products are up for regulatory approval and/or under regulatory scrutiny.

*Equity Securities Risk.* The value of the equity securities held by the Fund may fall due to general market and economic conditions, perceptions regarding the markets in which the issuers of securities held by the Fund participate, or factors relating to specific issuers in which the Fund invests. Equity securities are subordinated to preferred securities and debt in a company's capital structure with respect to priority in right to a share of corporate income, and therefore will be subject to greater dividend risk than preferred securities or debt instruments. In addition, while broad market measures of equity securities have historically generated higher average returns than fixed income securities, equity securities have generally also experienced significantly more volatility in those returns, although under certain market conditions fixed income securities may have comparable or greater price volatility.

*Risk of Investing in Depositary Receipts.* The Fund may invest in depositary receipts which involve similar risks to those associated with investments in foreign securities. Depositary receipts are receipts listed on U.S. or foreign exchanges issued by banks or trust companies that entitle the holder to all dividends and capital gains that are paid out on the underlying foreign shares. Investments in depositary receipts may be less liquid than the underlying shares in their primary trading market and, if not included in the Index, may negatively affect the Fund's ability to replicate the performance of the Index.

*Risk of Investing in Foreign Securities.* Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. These additional risks include greater market volatility, the availability of less reliable financial information, higher transactional and custody costs, taxation by foreign governments, decreased market liquidity and political instability. Because certain foreign securities markets may be limited in size, the activity of large traders may have an undue influence on the prices of securities that trade in such markets. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries.

*Risk of Investing in Emerging Market Issuers.* Investments in securities of emerging market issuers are exposed to a number of risks that may make these investments volatile in price or difficult to trade. Political risks may include

unstable governments, nationalization, restrictions on foreign ownership, laws that prevent investors from getting their money out of a country and legal systems that do not protect property rights as well as the laws of the United States. Market risks may include economies that concentrate in only a few industries, securities issues that are held by only a few investors, liquidity issues, limited trading capacity in local exchanges and the possibility that markets or issues may be manipulated by foreign nationals who have inside information.

*Special Risk Considerations of Investing in Indian Issuers.* Investment in securities of Indian issuers involve special considerations not typically associated with investments in securities of issuers in more developed countries that may negatively affect the value of your investment in the Fund. Such heightened risks include, among others, greater government control over the economy, including the risk that the Indian government may decide not to continue to support economic reform programs, political and legal uncertainty, currency fluctuations or blockage of foreign currency exchanges and the risk of nationalization or expropriation of assets. Issuers in India are subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are issuers in more developed markets, and therefore, all material information may not be available or reliable. India is also located in a part of the world that has historically been prone to natural disasters, such as earthquakes and tsunamis. Any such natural disaster could cause a significant impact on the Indian economy and could adversely impact on the Fund. In addition, religious and border disputes persist in India. Moreover, India has experienced civil unrest and hostilities with neighboring countries, including Pakistan, and the Indian government has confronted separatist movements in several Indian states. India has experienced acts of terrorism that has targeted foreigners. Such acts of terrorism have had a negative impact on tourism, an important sector of the Indian economy.

*Risk of Investing in Ireland.* Investments in Irish issuers involves risks that are specific to Ireland, including, legal, regulatory, political, currency, security and economic risks. Ireland's economy, among other things is dependent upon external trade with other key trading partners, specifically the United States, the United Kingdom and other Western European countries. Recently, Ireland's economy, along with certain other European economies, has experienced significant volatility and adverse trends due to concerns related to an economic downturn, availability of credit and rising government debt levels. During the recent financial crisis, Ireland's financial institutions were severely under-capitalized and required government intervention to survive. These events have adversely affected the exchange rate of the Euro and may continue to significantly affect the Irish economy.

*Foreign Currency Risk.* Because the Fund's assets may be invested in securities denominated in foreign currencies, the income received by the Fund from these investments will generally be in foreign currencies. The Fund's exposure to foreign currencies and changes in the value of foreign currencies versus the U.S. dollar may result in reduced returns for the Fund. Moreover, the Fund may incur costs in connection with conversions between U.S. dollars and foreign currencies. The value of an emerging market country's currency may be subject to a high degree of fluctuation. This fluctuation may be due to changes in interest rates, investors' expectations concerning inflation and interest rates, the emerging market country's debt levels and trade deficit, the effects of monetary policies issued by the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. The economies of certain emerging market countries can be significantly affected by currency devaluations. Certain emerging market countries may also have managed currencies which are maintained at artificial levels relative to the U.S. dollar rather than at levels determined by the market. This type of system could lead to sudden and large adjustments in the currency, which in turn, can have a negative effect on the Fund and its investments.

*Risk of Investing in Small- and Medium-Capitalization Companies.* Small- and medium-capitalization companies may be more volatile and more likely than large-capitalization companies to have narrower product lines, fewer financial resources, less management depth and experience and less competitive strength. In addition, these companies often have greater price volatility, lower trading volume and less liquidity than larger more established companies. Returns on investments in securities of small-capitalization and medium-capitalization companies could trail the returns on investments in securities of large-capitalization companies.



*Market Risk.* The prices of the securities in the Fund are subject to the risks associated with investing in the securities market, including general economic conditions and sudden and unpredictable drops in value. An investment in the Fund may lose money.

*Index Tracking Risk.* The Fund's return may not match the return of the Index for a number of reasons. For example, the Fund incurs a number of operating expenses not applicable to the Index and incurs costs associated with buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of the Index. The Fund also bears the costs and risks associated with buying and selling securities while such costs and risks are not factored into the return of the Index. In addition, the Fund may not be able to invest in certain securities included in the Index, or invest in them in the exact proportions in which they are represented in the Index, due to legal restrictions or limitations imposed by the governments of certain countries, a lack of liquidity on stock exchanges in which such securities trade, potential adverse tax consequences or other regulatory reasons. The Fund is expected to value certain of its investments based on fair value prices. To the extent the Fund calculates its NAV based on fair value prices and the value of the Index is based on securities' closing prices on local foreign markets (*i.e.*, the value of the Index is not based on fair value prices), the Fund's ability to track the Index may be adversely affected. In addition, any issues the Fund encounters with regard to currency convertibility (including the cost of borrowing funds, if any) and repatriation may also increase the index tracking risk. For tax efficiency purposes, the Fund may sell certain securities, and such sale may cause the Fund to realize a loss and deviate from the performance of the Index. In light of the factors discussed above, the Fund's return may deviate significantly from the return of the Index.

*Replication Management Risk.* An investment in the Fund involves risks similar to those of investing in any fund of equity securities traded on an exchange, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in security prices. However, because the Fund is not "actively" managed, unless a specific security is removed from the Index, the Fund generally would not sell a security because the security's issuer was in financial trouble. Therefore, the Fund's performance could be lower than funds that may actively shift their portfolio assets to take advantage of market opportunities or to lessen the impact of a market decline or a decline in the value of one or more issuers.

*Premium/Discount Risk.* Disruptions to creations and redemptions, the existence of extreme market volatility or potential lack of an active trading market for Shares may result in Shares trading at a significant premium or discount to NAV. If a shareholder purchases Shares at a time when the market price is at a premium to the NAV or sells Shares at a time when the market price is at a discount to the NAV, the shareholder may sustain losses. In addition, because certain of the Fund's underlying securities trade on exchanges that are closed when The NASDAQ Stock Market, Inc. ("NASDAQ") (*i.e.*, the exchange that Shares of the Fund trade on) is open, there are likely to be deviations between the current pricing of an underlying security and the closing security's price (*i.e.*, the last quote from its closed foreign market) resulting in premiums or discounts to NAV that may be greater than those experienced by other ETFs.

*Non-Diversified Risk.* The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). Therefore, the Fund may invest a relatively high percentage of its assets in a smaller number of issuers or may invest a larger proportion of its assets in obligations of a single issuer. As a result, the gains and losses on a single investment may have a greater impact on the Fund's NAV and may make the Fund more volatile than more diversified funds.

*Concentration Risk.* The Fund's assets may be concentrated in a particular sector or sectors or industry or group of industries to the extent the Index concentrates in a particular sector or sectors or industry or

8



group of industries. To the extent that the Index continues to be concentrated in the pharmaceutical sector, the Fund will be subject to the risk that economic, political or other conditions that have a negative effect on that sector will negatively impact the Fund to a greater extent than if the Fund's assets were invested in a wider variety of sectors or industries.

#### Performance

The Fund has not yet commenced operations and therefore does not have a performance history. Once available, the Fund's performance information will be accessible on the Fund's website at [www.marketvectorsetfs.com](http://www.marketvectorsetfs.com).

#### Portfolio Management

*Investment Adviser.* Van Eck Associates Corporation.

*Portfolio Managers.* The following individuals are primarily and jointly responsible for the day-to-day management of the Fund's portfolio:

<b>Name</b>	<b>Title with Adviser</b>	<b>Date Began Managing the Fund</b>
Hao-Hung (Peter) Liao	Portfolio Manager	[ ]
George Chao	Portfolio Manager	[ ]

#### Purchase and Sale of Fund Shares

The Fund issues and redeems Shares at NAV only in a large specified number of Shares, each called a "Creation Unit," or multiples thereof. A Creation Unit consists of 50,000 Shares.

Individual Shares of the Fund may only be purchased and sold in secondary market transactions through brokers. Shares of the Fund are expected to be approved for listing on NASDAQ, subject to notice of issuance, and because Shares will trade at market prices rather than NAV, Shares of the Fund may trade at a price greater than or less than NAV.

Tax Information

The Fund's distributions are taxable and will generally be taxed as ordinary income or capital gains.

**Payments to Broker-Dealers and Other Financial Intermediaries**

The Adviser and its related companies may pay broker-dealers or other financial intermediaries (such as a bank) for the sale of the Fund Shares and related services. These payments may create a conflict of interest by influencing your broker-dealer or other intermediary or its employees or associated persons to recommend the Fund over another investment. Ask your financial adviser or visit your financial intermediary's website for more information.

ADDITIONAL INFORMATION ABOUT THE FUND'S INVESTMENT STRATEGIES AND RISKS

Principal Investment Strategies

The Adviser anticipates that, generally, the Fund will hold or gain exposure to all of the securities that comprise the Index in proportion to their weightings in the Index. However, under various circumstances, it may not be possible or practicable to purchase all of those securities in those weightings. In these circumstances, the Fund may purchase a sample of securities in the Index. There also may be instances in which the Adviser may choose to underweight or overweight a security in the Index, purchase securities not in the Index that the Adviser believes are appropriate to substitute for certain securities in the Index or utilize various combinations of other available investment techniques in seeking to replicate as closely as possible, before fees and expenses, the price and yield performance of the Index. The Fund may sell securities that are represented in the Index in anticipation of their removal from the Index or purchase securities not represented in the Index in anticipation of their addition to the Index. The Fund may also, in order to comply with the tax diversification requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), temporarily invest in securities not included in the Index that are expected to be highly correlated with the securities included in the Index.

Additional Investment Strategies

The Fund may invest in securities not included in the Index, money market instruments, including repurchase agreements or other funds which invest exclusively in money market instruments, convertible securities, structured notes (notes on which the amount of principal repayment and interest payments are based on changes of one or more specified factors, such as the movement of a particular stock or stock index) and certain derivatives, which the Adviser believes will help the Fund track the Index. Depositary receipts not included in the Index may be used by the Fund in seeking performance that corresponds to the Index, and in managing cash flows, and may count towards compliance with the Fund's 80% policy. The Fund may also invest, to the extent permitted by the 1940 Act, in other affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, including other ETFs. The Fund will not, however, invest in money market instruments as part of a temporary defensive strategy to protect against potential securities market declines.

An authorized participant (i.e., a person eligible to place orders with the Distributor (defined below) to create or redeem Creation Units of the Fund) (each, an "AP") that is not a "qualified institutional buyer," as such term is defined under Rule 144A of the Securities Act of 1933, as amended ("Securities Act"), will not be able to receive, as part of a redemption, restricted securities eligible for resale under Rule 144A.

Borrowing Money

The Fund may borrow money from a bank up to a limit of one-third of the market value of its assets. To the extent that the Fund borrows money, it will be leveraged; at such times, the Fund will appreciate or depreciate in value more rapidly than the Index.

#### Fundamental and Non-Fundamental Policies

The Fund's investment objective and each of its other investment policies are non-fundamental policies that may be changed by the Board of Trustees without shareholder approval, except as noted in this Prospectus or the Statement of Additional Information ("SAI") under the section entitled "Investment Policies and Restrictions—Investment Restrictions."

## Lending Portfolio Securities

The Fund may lend its portfolio securities to brokers, dealers and other financial institutions desiring to borrow securities to complete transactions and for other purposes. In connection with such loans, the Fund receives liquid collateral equal to at least 102% of the value of the portfolio securities being loaned. This collateral is marked-to-market on a daily basis. Although the Fund will receive collateral in connection with all loans of its securities holdings, the Fund would be exposed to a risk of loss should a borrower fail to return the borrowed securities (*e.g.*, the Fund would have to buy replacement securities and the loaned securities may have appreciated beyond the value of the collateral held by the Fund) or become insolvent. The Fund may pay fees to the party arranging the loan of securities. In addition, the Fund will bear the risk of loss of any cash collateral that it invests.

## Risks of Investing in the Fund

The following section provides additional information regarding the principal risks identified under “Principal Risks of Investing in the Fund” in the Fund’s “Summary Information” section followed by additional risk information.

**Investors in the Fund should be willing to accept a high degree of volatility in the price of the Fund’s Shares and the possibility of significant losses. An investment in the Fund involves a substantial degree of risk. An investment in the Fund is not a deposit with a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Therefore, you should consider carefully the following risks before investing in the Fund, each of which could significantly and adversely affect the value of an investment in the Fund.**

*Risk of Investing in the Pharmaceutical Sector.* The success of companies in the pharmaceutical sector that produce generic drugs is highly dependent on the development, procurement and marketing of these drugs. Many companies that produce generic drugs compete with large, well-financed pharmaceutical companies with more experienced development and marketing groups. For example, brand-name drug manufacturers do not face any significant regulatory approval or other barriers to enter into the generics market. These brand-name companies may sell generic versions of their products to the market directly or grant certain companies rights to sell “authorized generics” to the detriment of other companies operating in the sector. Moreover, brand-name companies continually seek new ways to delay the introduction of generic products and/or decrease the impact of generic competition, such as filing new patents on drugs whose original patent production is about to expire, developing patented controlled-release products, changing product claims and labeling, or developing and marketing as over-the-counter products those branded products that are about to face generic competition. Additionally, brand-name companies increasingly have used state and federal legislative and regulatory means to delay generic competition. If brand-name companies or other third-parties are successful in limiting the use of generic products through these or other means, sales of generic products may decline, which would adversely affect companies that produce generic drugs.

The research and other costs associated with developing or procuring generic drugs and the related intellectual property rights can be significant, and the results of such research and expenditures are unpredictable. To the extent that the Index continues to be concentrated in the pharmaceutical sector, the Fund will be sensitive to changes in, and its performance will depend to a greater extent on, the overall condition of the pharmaceutical sector. In addition, pharmaceutical companies that produce generic drugs may be susceptible to product obsolescence and face intense competition from less costly generic products. Fewer generic pharmaceutical launches or launches that are less profitable than those previously experienced may have an adverse effect on the profits of companies producing generic drugs. Additionally, prices for existing generic drugs generally decline over time, although this may vary. Price deflation on existing generic drugs may have an adverse effect on profits for all companies that produce

generic drugs. As additional companies begin to introduce generic equivalents of a drug, revenues and gross margins from such products may potentially decline rapidly. Moreover, the manufacturing, processing, formulation, packaging, labeling, testing, storing, distributing, marketing, advertising and sale of generic drug products, among other things, are subject to extensive regulation by one or more U.S. agencies, including the FDA. Approval by the FDA is required before any new drug, including any new generic drug, may be marketed or sold in the United States, which may be long and costly and there can be no assurance that the necessary approvals will be obtained or maintained. Additionally, companies that produce generic drugs do not benefit from patent protections and are therefore more subject to the risk of competition than patented products. The ability of such companies to market products successfully also depends, in part, upon the acceptance of the products not only by consumers, but also by independent third-parties (including pharmacies, government formularies, managed care providers, insurance companies and retailers).

Companies in the pharmaceutical sector that produce generic drugs may also be subject to expenses and losses from extensive litigation based on intellectual property, product liability and similar claims. Companies in the pharmaceutical sector may be adversely affected by government regulation, restrictions on reimbursement rates, industry innovation, changes in technologies and other market developments. The ability of many pharmaceutical companies to commercialize current and any future products depends in part on the extent to which reimbursement for the cost of such products and related treatments are available from third party payors, such as Medicare, Medicaid and other government sponsored programs, private health insurance plans and health maintenance organizations.

The international operations of many pharmaceutical companies expose them to risks associated with instability and changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations and other risks inherent to international business. Such companies also may be characterized by thin capitalization and limited markets, financial resources or personnel, as well as dependence on wholesale distributors. A pharmaceutical company's valuation can be adversely affected if one of its products proves unsafe, ineffective or unprofitable. Counterfeit versions of a drug could also harm a company's reputation. The stock prices of companies in the pharmaceutical sector have been and will likely continue to be extremely volatile. Some of the companies in the Index are engaged in other lines of business unrelated to the production of generic drugs, and they may experience problems with these lines of business which could adversely affect their operating results. The operating results of these companies may fluctuate as a result of these additional risks and events in the other lines of business. In addition, a company's ability to engage in new activities may expose it to business risks with which it has less experience than it has with the business risks associated with its traditional businesses. Despite a company's possible success in traditional pharmaceutical activities, there can be no assurance that the other lines of business in which these companies are engaged will not have an adverse effect on a company's business or financial condition.

*Risk of Investing in the Biotechnology Sector.* The success of biotechnology companies is highly dependent on the development, procurement and/or marketing of drugs. To the extent that the biotechnology sector continues to represent a significant portion of the Index, the Fund will be sensitive to changes in, and its performance may depend to a greater extent on, the overall condition of the biotechnology sector. Companies operating in the biotechnology sector are subject to similar risks of companies operating in the pharmaceutical sector, as discussed in more detail above. Additionally, a biotechnology company's valuation can often be based largely on the potential or actual performance of a limited number of products. A biotechnology company's valuation can also be greatly affected if one of its products proves unsafe, ineffective or unprofitable. Such companies may also be characterized by thin capitalization and limited markets, financial resources or personnel. The stock prices of companies in the biotechnology sector have been and will likely continue to be extremely volatile, particularly when their products are

up for regulatory approval and/or under regulatory scrutiny.

12



*Equity Securities Risk.* The value of the equity securities held by the Fund may fall due to general market and economic conditions, perceptions regarding the markets in which the issuers of securities held by the Fund participate, or factors relating to specific issuers in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may result in a decline in the value of equity securities of an issuer held by the Fund; the price of the equity securities of an issuer may be particularly sensitive to general movements in the securities markets; or a drop in the securities markets may depress the price of most or all of the equities securities held by the Fund. In addition, the equity securities of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments. Equity securities are subordinated to preferred securities and debt in a company's capital structure with respect to priority in right to a share of corporate income, and therefore will be subject to greater dividend risk than preferred securities or debt instruments. In addition, while broad market measures of equity securities have historically generated higher average returns than fixed income securities, equity securities have generally also experienced significantly more volatility in those returns, although under certain market conditions fixed income securities may have comparable or greater price volatility. A change in the financial condition, market perception or the credit rating of an issuer of securities included in the Index may cause the value of its securities to decline.

*Risk of Investing in Depositary Receipts.* The Fund may invest in depositary receipts which involve similar risks to those associated with investments in foreign securities. Depositary receipts are receipts listed on U.S. or foreign exchanges issued by banks or trust companies that entitle the holder to all dividends and capital gains that are paid out on the underlying foreign shares. The issuers of certain depositary receipts are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities. Investments in depositary receipts may be less liquid than the underlying shares in their primary trading market and, if not included in the Fund's Index, may negatively affect the Fund's ability to replicate the performance of its Index. In addition, investments in depositary receipts that are not included in the Index may lead to tracking error.

*Risk of Investing in Foreign Securities.* Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. These additional risks include greater market volatility, the availability of less reliable financial information, higher transactional and custody costs, taxation by foreign governments, decreased market liquidity and political instability. Because many foreign securities markets may be limited in size, the activity of large traders may have an undue influence on the prices of securities that trade in such markets. Certain foreign markets that have historically been considered relatively stable may become volatile in response to changed conditions or new developments. Increased interconnectivity of world economies and financial markets increases the possibility that adverse developments and conditions in one country or region will affect the stability of economies and financial markets in other countries or regions. Because the Fund may invest in securities denominated in foreign currencies and some of the income received by the Fund may be in foreign currencies, changes in currency exchange rates may negatively impact the Fund's return. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. Foreign issuers are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are U.S. issuers, and therefore, not all material information may be available or reliable. Securities exchanges or foreign governments may adopt rules or regulations that may negatively impact the Fund's ability to invest in foreign securities or may prevent the Fund from repatriating its investments. The Fund may also invest in depositary receipts which involve similar risks to those associated with investments in foreign securities. In addition, the Fund may not receive shareholder communications or be permitted to vote the securities that it holds, as the issuers may be under no legal obligation to distribute shareholder communications.

Certain foreign markets may rely heavily on particular industries or foreign capital and are more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, organizations, entities and/or individuals, changes in international trade patterns, trade barriers, and other protectionist or retaliatory measures. Economic sanctions could, among other things, effectively restrict or eliminate the Fund's ability to purchase or sell securities or groups of securities for a substantial period of time, and may make the Fund's investments in such securities harder to value. The imposition of such sanctions could impair the market value of the securities of such foreign issuers or otherwise adversely affect the Fund's operations.

Also, certain issuers located in foreign countries in which the Fund invests may operate in, or have dealings with, countries subject to sanctions and/or embargoes imposed by the U.S. Government and the United Nations and/or countries identified by the U.S. Government as state sponsors of terrorism. As a result, an issuer may sustain damage to its reputation if it is identified as an issuer which operates in, or has dealings with, such countries. The Fund, as an investor in such issuers, will be indirectly subject to those risks.

*Risk of Investing in Emerging Market Issuers.* The Fund may invest its assets in securities of emerging market issuers. Investment in securities of emerging market issuers involves risks not typically associated with investments in securities of issuers in more developed countries that may negatively affect the value of your investment in the Fund. Such heightened risks may include, among others, expropriation and/or nationalization of assets, restrictions on and government intervention in international trade, confiscatory taxation, political instability, including authoritarian and/or military involvement in governmental decision making, armed conflict, the impact on the economy as a result of civil war, crime (including drug violence) and social instability as a result of religious, ethnic and/or socioeconomic unrest. Issuers in certain emerging market countries are subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are issuers in more developed markets, and therefore, all material information may not be available or reliable. Additionally, each of the factors described below could have a negative impact on the Fund's performance and increase the volatility of the Fund.

*Securities Markets.* Securities markets in emerging market countries are underdeveloped and are often considered to be less correlated to global economic cycles than those markets located in more developed countries. Securities markets in emerging market countries are subject to greater risks associated with market volatility, lower market capitalization, lower trading volume, illiquidity, inflation, greater price fluctuations, uncertainty regarding the existence of trading markets, governmental control and heavy regulation of labor and industry. These factors, coupled with restrictions on foreign investment and other factors, limit the supply of securities available for investment by the Fund. This will affect the rate at which the Fund is able to invest in emerging market countries, the purchase and sale prices for such securities and the timing of purchases and sales. Emerging markets can experience high rates of inflation, deflation and currency devaluation. The prices of certain securities listed on securities markets in emerging market countries have been subject to sharp fluctuations and sudden declines, and no assurance can be given as to the future performance of listed securities in general. Volatility of prices may be greater than in more developed securities markets. Moreover, securities markets in emerging market countries may be closed for extended periods of time or trading on securities markets may be suspended altogether due to political or civil unrest. Market volatility may also be heightened by the actions of a small number of investors. Brokerage firms in emerging market countries may be fewer in number and less established than brokerage firms in more developed markets. Since the Fund may need to effect securities transactions through these brokerage firms, the Fund is subject to the risk that these brokerage firms will not be able to fulfill their obligations to the Fund. This risk is magnified to the extent the Fund effects securities transactions through a single



brokerage firm or a small number of brokerage firms. In addition, the infrastructure for the safe custody of securities and for purchasing and selling securities, settling trades, collecting dividends, initiating corporate actions, and following corporate activity is not as well developed in emerging market countries as is the case in certain more developed markets.

*Political and Economic Risk.* Certain emerging market countries have historically been subject to political instability and their prospects are tied to the continuation of economic and political liberalization in the region. Instability may result from factors such as government or military intervention in decision making, terrorism, civil unrest, extremism or hostilities between neighboring countries. Any of these factors, including an outbreak of hostilities could negatively impact the Fund's returns. Limited political and democratic freedoms in emerging market countries might cause significant social unrest. These factors may have a significant adverse effect on an emerging or frontier market country's economy.

Many emerging market countries may be heavily dependent upon international trade and, consequently, may continue to be negatively affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which it trades. They also have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade.

In addition, commodities (such as oil, gas and minerals) represent a significant percentage of certain emerging market countries' exports and these economies are particularly sensitive to fluctuations in commodity prices. Adverse economic events in one country may have a significant adverse effect on other countries of this region. In addition, most emerging market countries have experienced, at one time or another, severe and persistent levels of inflation, including, in some cases, hyperinflation. This has, in turn, led to high interest rates, extreme measures by governments to keep inflation in check, and a generally debilitating effect on economic growth. Although inflation in many countries has lessened, there is no guarantee it will remain at lower levels. The political history of certain emerging market countries has been characterized by political uncertainty, intervention by the military in civilian and economic spheres, and political corruption. Such events could reverse favorable trends toward market and economic reform, privatization, and removal of trade barriers, and result in significant disruption in securities markets in the region.

Also, from time to time, certain issuers located in emerging market countries in which the Fund invests may operate in, or have dealings with, countries subject to sanctions and/or embargoes imposed by the U.S. Government and the United Nations and/or countries identified by the U.S. Government as state sponsors of terrorism. As a result, an issuer may sustain damage to its reputation if it is identified as an issuer which operates in, or has dealings with, such countries. The Fund, as an investor in such issuers, will be indirectly subject to those risks.

The economies of one or more countries in which the Fund may invest may be in various states of transition from a planned economy to a more market oriented economy. The economies of such countries differ from the economies of most developed countries in many respects, including levels of government involvement, states of development, growth rates, control of foreign exchange and allocation of resources. Economic growth in these economies may be uneven both geographically and among various sectors of their economies and may also be accompanied by periods of high inflation. Political changes, social instability and adverse diplomatic developments in these countries could result

in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalization of some or all of the property held by the underlying issuers of securities included in the Fund's Index. There is

15

no guarantee that the governments of these countries will not revert back to some form of planned or non-market oriented economy, and such governments continue to be active participants in many economic sectors through ownership positions and regulation. The allocation of resources in such countries is subject to a high level of government control. Such countries' governments may strictly regulate the payment of foreign currency denominated obligations and set monetary policy. Through their policies, these governments may provide preferential treatment to particular industries or companies. The policies set by the government of one of these countries could have a substantial effect on that country's economy.

*Investment and Repatriation Restrictions.* The government in an emerging market country may restrict or control to varying degrees the ability of foreign investors to invest in securities of issuers located or operating in such emerging market countries. These restrictions and/or controls may at times limit or prevent foreign investment in securities of issuers located or operating in emerging market countries and may inhibit the Fund's ability to track the Index. In addition, the Fund may not be able to buy or sell securities or receive full value for such securities. Moreover, certain emerging market countries may require governmental approval or special licenses prior to investments by foreign investors and may limit the amount of investments by foreign investors in a particular industry and/or issuer; may limit such foreign investment to a certain class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of such emerging market countries; and/or may impose additional taxes on foreign investors. A delay in obtaining a required government approval or a license would delay investments in those emerging market countries, and, as a result, the Fund may not be able to invest in certain securities while approval is pending. The government of certain emerging market countries may also withdraw or decline to renew a license that enables the Fund to invest in such country. These factors make investing in issuers located or operating in emerging market countries significantly riskier than investing in issuers located or operating in more developed countries, and any one of them could cause a decline in the value of the Fund's Shares.

Additionally, investments in issuers located in certain emerging market countries may be subject to a greater degree of risk associated with governmental approval in connection with the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. Moreover, there is the risk that if the balance of payments in an emerging or frontier market country declines, the government of such country may impose temporary restrictions on foreign capital remittances. Consequently, the Fund could be adversely affected by delays in, or a refusal to grant, required governmental approval for repatriation of capital, as well as by the application to the Fund of any restrictions on investments. Furthermore, investments in emerging market countries may require the Fund to adopt special procedures, seek local government approvals or take other actions, each of which may involve additional costs to the Fund.

*Available Disclosure About Emerging Market Issuers.* Issuers located or operating in emerging market countries are not subject to the same rules and regulations as issuers located or operating in more developed countries. Therefore, there may be less financial and other information publicly available with regard to issuers located or operating in emerging market countries and such issuers are not subject to the uniform accounting, auditing and financial reporting standards applicable to issuers located or operating in more developed countries.

*Foreign Currency Considerations.* The Fund's assets that are invested in equity securities of issuers in emerging market countries will generally be denominated in foreign currencies, and the income received by the Fund from these investments will be principally in foreign currencies. The value of an emerging market country's currency may be

subject to a high degree of fluctuation. This fluctuation may be due to changes in interest rates, the effects of monetary

policies issued by the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. The economies of certain emerging market countries can be significantly affected by currency devaluations. Certain emerging market countries may also have managed currencies which are maintained at artificial levels relative to the U.S. dollar rather than at levels determined by the market. This type of system can lead to sudden and large adjustments in the currency which, in turn, can have a disruptive and negative effect on foreign investors.

The Fund's exposure to an emerging market country's currency and changes in value of such foreign currencies versus the U.S. dollar may reduce the Fund's investment performance and the value of your investment in the Fund. Meanwhile, the Fund will compute and expects to distribute its income in U.S. dollars, and the computation of income will be made on the date that the income is earned by the Fund at the foreign exchange rate in effect on that date. Therefore, if the value of the respective emerging market country's currency falls relative to the U.S. dollar between the earning of the income and the time at which the Fund converts the relevant emerging market country's currency to U.S. dollars, the Fund may be required to liquidate certain positions in order to make distributions if the Fund has insufficient cash in U.S. dollars to meet distribution requirements under the Internal Revenue Code. The liquidation of investments, if required, could be at disadvantageous prices or otherwise have an adverse impact on the Fund's performance.

Certain emerging market countries also restrict the free conversion of their currency into foreign currencies, including the U.S. dollar. There is no significant foreign exchange market for many such currencies and it would, as a result, be difficult for the Fund to engage in foreign currency transactions designed to protect the value of the Fund's interests in securities denominated in such currencies. Furthermore, if permitted, the Fund may incur costs in connection with conversions between U.S. dollars and an emerging market country's currency. Foreign exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell a foreign currency to the Fund at one rate, while offering a lesser rate of exchange should the Fund desire immediately to resell that currency to the dealer. The Fund will conduct its foreign currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward, futures or options contracts to purchase or sell foreign currencies.

*Operational and Settlement Risk.* In addition to having less developed securities markets, emerging market countries have less developed custody and settlement practices than certain developed countries. Rules adopted under the 1940 Act permit the Fund to maintain its foreign securities and cash in the custody of certain eligible non-U.S. banks and securities depositories. Banks in emerging market countries that are eligible foreign sub custodians may be recently organized or otherwise lack extensive operating experience. In addition, in certain emerging market countries there may be legal restrictions or limitations on the ability of the Fund to recover assets held in custody by a foreign sub-custodian in the event of the bankruptcy of the sub-custodian. Because settlement systems in emerging market countries may be less organized than in other developed markets, there may be a risk that settlement may be delayed and that cash or securities of the Fund may be in jeopardy because of failures of or defects in the systems. Under the laws in many emerging market countries, the Fund may be required to release local shares before receiving cash payment or may be required to make cash payment prior to receiving local shares, creating a risk that the Fund may surrender cash or securities without ever receiving securities or cash from the other party. Settlement systems in emerging market countries also have a higher risk of failed trades and back to back settlements may not be possible.



The Fund may not be able to convert a foreign currency to U.S. dollars in time for the settlement of redemption requests. In the event of a redemption request from an AP, the Fund will be required to deliver U.S. dollars to the AP on the settlement date. In the event that the Fund is not able to convert the foreign currency to U.S. dollars in time for settlement, which may occur as a result of the delays described above, the Fund may be required to liquidate certain investments and/or borrow money in order to fund such redemption. The liquidation of investments, if required, could be at disadvantageous prices or otherwise have an adverse impact on the Fund's performance (*e.g.*, by causing the Fund to overweight foreign currency denominated holdings and underweight other holdings which were sold to fund redemptions). In addition, the Fund will incur interest expense on any borrowings and the borrowings will cause the Fund to be leveraged, which may magnify gains and losses on its investments.

In certain emerging market countries, the marketability of quoted shares may be limited due to the restricted opening hours of stock exchanges, and a narrow range of investors and a relatively high proportion of market value may be concentrated in the hands of a relatively small number of shareholders. In addition, because certain emerging market countries' stock exchanges on which the Fund's portfolio securities may trade are open when the NASDAQ is closed, the Fund may be subject to heightened risk associated with market movements. Trading volume may be lower on certain emerging market countries' stock exchanges than on more developed securities markets and equities may be generally less liquid. The infrastructure for clearing, settlement and registration on the primary and secondary markets of certain emerging market countries are less developed than in certain other markets and under certain circumstances this may result in the Fund experiencing delays in settling and/or registering transactions in the markets in which it invests, particularly if the growth of foreign and domestic investment in certain emerging market countries places an undue burden on such investment infrastructure. Such delays could affect the speed with which the Fund can transmit redemption proceeds and may inhibit the initiation and realization of investment opportunities at optimum times.

Certain issuers in emerging market countries may utilize share blocking schemes. Share blocking refers to a practice, in certain foreign markets, where voting rights related to an issuer's securities are predicated on these securities being blocked from trading at the custodian or sub-custodian level for a period of time around a shareholder meeting. These restrictions have the effect of barring the purchase and sale of certain voting securities within a specified number of days before and, in certain instances, after a shareholder meeting where a vote of shareholders will be taken. Share blocking may prevent the Fund from buying or selling securities for a period of time. During the time that shares are blocked, trades in such securities will not settle. The blocking period can last up to several weeks. The process for having a blocking restriction lifted can be quite onerous with the particular requirements varying widely by country. In addition, in certain countries, the block cannot be removed. As a result of the ramifications of voting ballots in markets that allow share blocking, the Adviser, on behalf of the Fund, reserves the right to abstain from voting proxies in those markets.

*Corporate and Securities Laws.* Securities laws in emerging market countries are relatively new and unsettled and, consequently, there is a risk of rapid and unpredictable change in laws regarding foreign investment, securities regulation, title to securities and shareholder rights. Accordingly, foreign investors may be adversely affected by new or amended laws and regulations. In addition, the systems of corporate governance to which emerging market issuers are subject may be less advanced than those systems to which issuers located in more developed countries are subject, and therefore, shareholders of issuers located in emerging market countries may not receive many of the protections available to shareholders of issuers located in more developed countries. In circumstances where adequate laws and shareholder rights exist, it may

not be possible to obtain swift and equitable enforcement of the law. In addition, the enforcement of systems of taxation at federal, regional and local levels in emerging market countries may be inconsistent and subject to sudden change.

*Special Risk Considerations of Investing in Indian Issuers.* Investment in securities of Indian issuers involves risks not typically associated with investments in securities of issuers in more developed countries that may negatively affect the value of your investment in the Fund. Such heightened risks include, among others, greater government control over the economy, including the risk that the Indian government may decide not to continue to support economic reform programs, political and legal uncertainty, currency fluctuations or blockage of foreign currency exchanges and the risk of nationalization or expropriation of assets. Issuers in India are subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are issuers in more developed markets, and therefore, all material information may not be available or reliable. In addition, religious and border disputes persist in India. Moreover, India has experienced civil unrest and hostilities with neighboring countries, including Pakistan, and the Indian government has confronted separatist movements in several Indian states. In addition, India has experienced acts of terrorism that have targeted foreigners. Such acts of terrorism have had a negative impact on tourism, an important sector of the Indian economy. Additionally, each of the factors described below could have a negative impact on the Fund's performance and increase the volatility of the Fund.

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities, and no assurance can be given that such fluctuations will not occur in the future.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, from time to time, disputes have occurred between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. Similar problems could occur in the future and, if they do, they could harm the market price and liquidity of the equity shares held by the Fund.

*Economic Risk.* The Indian government has exercised and continues to exercise significant influence over many aspects of the economy, and the number of public sector enterprises in India is substantial. Accordingly, Indian government actions in the future could have a significant effect on the Indian economy. The Indian government has experienced chronic structural public sector deficits. High amounts of debt and public spending could have an adverse impact on India's economy. In recent years the Indian government has implemented several economic structural reforms which seek to achieve, among others, reduction in India's fiscal deficit, a decrease in, and control of, the rate of inflation, the liberalization of India's exchange and trade policies along with promoting a sound monetary policy, a reformation of the financial sector as well placing a greater reliance on market mechanism to direct economic activity. Despite recent downturns, the Indian economy has experienced generally sustained growth during the last several years. However, there are no guarantees this level of growth will continue. Additionally, the Indian economy may be dependent upon agriculture and thus the Fund's investments may be susceptible to adverse weather changes include the threat of monsoons and other natural disasters.

*Regulatory Risk.* The SEBI (Foreign Institutional Investors) Regulations, 1995 (“FII Regulations”) have been replaced by the SEBI (Foreign Portfolio Investors) Regulations, 2014 (“FPI Regulations”). However, under the FPI regulations, a subaccount may continue to buy, sell

or deal in securities till the expiry of its current FII registration and shall be converted to an FPI upon payment of the FPI registration fee. The Adviser is a qualified foreign institutional investor (“FII”) with the SEBI. There can be no assurances that the Indian regulatory authorities will continue to grant such qualifications, and the loss of such qualifications could adversely impact the ability of the Fund to make investments in India.

The Fund’s investments will be made in accordance with investment restrictions prescribed under the FII regulation. If new policy announcements or regulations in India are made, including, potentially policies with retroactive effect, which require changes in the structure or operations of the Fund, these may adversely impact the performance of the Fund.

*Investment and Repatriation Restrictions.* The RBI, the Indian counterpart of the Federal Reserve Bank in the United States, imposes certain limits on the foreign ownership of Indian securities. In general, the aggregate ownership by foreign institutional investor (“FII”)/sub-account/foreign portfolio investor is limited to 24% of the outstanding voting securities of an Indian issuer which limit can be further extended to the applicable foreign investment limit in a specific sector if the shareholders of a company pass a special resolution to that effect. The aggregate holding of a single FII or its sub-accounts (provided such sub-account is broad based) or FPI must be less than 10% of the total paid-up equity capital of an Indian company. Further, in the case of foreign corporates or individuals, each of such sub-account cannot invest more than 5% of the total paid-up equity capital of an Indian company. The Securities and Exchange Board of India (“SEBI”), the Indian counterpart of the SEC in the United States, monitors foreign holdings and periodically announces current foreign ownership limitations and changes to such limits. These restrictions and/or controls may at times limit or prevent foreign investment in securities of issuers located or operating in India and may inhibit the Fund’s ability to track the Index.

As per the SEBI circular dated November 24, 2014 on conditions on issuance of offshore derivative instruments (“ODIs”) under the FPI Regulations, in case of an ultimate beneficial owner who has direct or indirect common shareholding/beneficial ownership/beneficial interest, of more than 50% in an FPI and an ODI subscriber entity or two or more ODI subscribers, the participation through ODIs would be clubbed with the direct holding of FPIs or the other concerned ODI subscriber(s) while determining whether the above investment cap in an Indian company has been triggered.

*Currency Fluctuation and Conversion Risk.* Because the Fund’s assets will be invested primarily in equity securities of Indian issuers, the income received by the Fund will be principally in Indian rupees. The Fund’s exposure to the Indian rupee and changes in the value of the Indian rupee versus the U.S. dollar may result in reduced returns for the Fund. Moreover, the Fund may incur costs in connection with conversions between U.S. dollars and Indian rupees.

*Risk of Investing in Ireland.* Investments in Irish issuers involves risks that are specific to Ireland, including, legal, regulatory, political, currency, security and economic risks. Ireland’s economy, among other things is dependent upon external trade with other key trading partners, specifically the United States, the United Kingdom and other Western European countries. Recently, Ireland’s economy, along with certain other European economies, has experienced significant volatility and adverse trends due to concerns related to an economic downturn, availability of credit and rising government debt levels. During the recent financial crisis, Ireland’s financial institutions were severely

under-capitalized and required government intervention to survive. These events have adversely affected the exchange rate of the Euro and may continue to significantly affect the Irish economy.

*Foreign Currency Risk.* The Fund's assets that are invested in equity securities of issuers in emerging market countries may be denominated in foreign currencies, the income received by the Fund from these investments may be in foreign currencies. The Fund's exposure to foreign currencies and changes in the value of foreign currencies versus the U.S. dollar