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What's Inside...

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The capital gains dilemma

By Marsha Zapson

There has been much discussion recently within the ETF community about capital gains. In particular, many of Barclays Global Investors' iShares were hit with capital gains last year, and the question becomes, Could Barclays have prevented it? While Barclays says its capital gains were due to some of its funds being young and victims of bad timing, several industry observers suggest that lack of foresight and planning on the part of BGI are the reasons.

"You may get the impression that Barclays had an unusually large number of funds with capital gains last year," says Lee Kranefuss, chief executive of Barclays' Individual Investor Business. "But, of the 80 funds in the market, we have 58. When you have 58 and you're dealing with narrow indexes, such as the country MSCI series, you're going to see some funds producing capital gains, as opposed to having one or two funds in your complex."

For example, in the MSCI series, the Canadian iShare paid out $4.39 per share in August, and the Swedish paid out $5.21. These iShares had to comply with the Securities and Exchange's 5/25 rule, which says that a fund registered as diversified cannot have more than 25% of the fund in any one industry group, nor can it have 5% in any one specific holding. Because 8▶

There's an elephant in the room

By Philip Scipio

When the American Stock Exchange released its year 2000 statistics, it gleefully noted that the amount of money invested in ETFs, including HOLDRS, had more than doubled to $70.3 billion in invested assets, up from $35.9 billion at the end of 1999. But upon closer inspection of the 2000 year-end data, a skewed picture emerges.

More than 69% of the assets in ETFs in 2000 were invested in the two biggest products: the S&P 500 SPDR and the Nasdaq-100 Index Shares, or QQQ. Of the $70.3 billion in ETFs on the Amex, the top 25 funds represent $67.6 billion, 72.5% of which is invested in the SPDR and the QQQ. While the SPDR has had more than seven years to amass assets commensurate with a long track record, the QQQs burst on the scene in March 1999, and is now on par with the SPDR. More than half the ETF asset growth last year come from the QQQ.

The QQQs ended 2000 with more than $23.5 billion invested, up from $5.9 billion in 1999. The SPDR, still the largest ETF, ended 2000 with $25.5 billion invested, up from $19.8 billion in 1999. The total number of ETF products traded grew to 92 by year-end from 32 a year earlier. While the majority of ETFs currently trading did not exist in 1999, of the 32 that did, 53% added assets in 2000, while 47% lost assets—perhaps to newer ETFs, including the QQQs.

Diamonds, iShares and SPDRs

Among the products that enjoyed the biggest gains was the DJIA Diamond, which ended 2000 with $2.3 billion invested, up from $1.3 billion in 1999. The S&P 400 MidCap SPDR finished the year with $3.9 billion invested, up from $2.3 billion in 1999. iShares MSCI UK had $179.9 million invested, up from $124.2 million invested in 1999. And the Select Sector SPDR-Financial had $504.4 million invested, up from $342.1 million invested in 1999.

ETFs that lost assets in 2000 included Internet HOLDRS, which dropped to $255.8 million invested from $1.2 billion in 1999, and iShares MSCI-Japan, which ended the year with $650.1 million invested, down from $978.5 million in 1999. iShares MSCI-Singapore had $69.1 million invested, down from $131.27 million in 1999.

A similar trend emerged for trading volume. While eight ETFs that existed in 1999 and 2000 experienced a decline in trading volume last year, these were overshadowed by an over- 6▶

ICF: Barclays' new REIT iShare

By Marsha Zapson

Some in the ETF industry think that Barclays' new iShares Cohen & Steers Realty Majors Index Fund, launched February 2 with an undisclosed amount of startup capital, will appeal to institutional investors; others consider it a retail product. Barclays says it has appeal in both spheres.

This new ETF, whose ticker symbol is ICF, is composed of 30 real estate investment trusts, and tracks the Cohen & Steers Realty Majors Index. (According to Cohen & Steers, that number was chosen for the Cohen & Steers index in order to evoke the cachet of the Dow Industrial Average.)

> "Because ETFs are ubiquitous, it changes the way we look at a launch"

As of December 31, 2000, the index was composed of offices, 26.9%; apartments, 26.1%; regional malls, 12.6%; office/industrials, 10.9%; industrial, 9.5%; shopping centers, 5.5%; self storages, 4.5%; health care, 3.0%; and manufactured homes, 0.9%.

Its top 10 holdings are Equity Residential Property Trusts, 8.7%; Equity Office Properties, 8.0%; Simon Property Group, 5.7%; ProLogis Trust, 5.1%; Boston Properties, 5.1%; Apartment Investment & Management Co, 4.9%; Avalon Bay Communities, 4.7%; Vornado Realty Trust, 4.7%; Spieker Properties, 4.6%; and Public Storage, 4.5%.

The Cohen & Steers REIT index was launched on December 31, 1998, before the firm ever considered using it in an ETF product. When Cohen & Steers looked into ETFs, it considered launching the REIT product on its own but found the cost prohibitive. The firm initially tried to lure Merrill Lynch and State Street as partners, then, at the suggestion of the Amex, pitched the idea—successfully—to Barclays.

Generating interest

It's interesting to note that Barclays already has an iShare devoted to real estate. It is based on one of the Dow Jones indices, and is a mix of REITs and operating companies. Barclays says it launched this new iShare because of investor demand.

Barclays, which has close to 75% of the ETFs in the market, has developed into a provider of new ETFs with a narrow focus, such as the new REIT product. "Because ETFs are ubiquitous and readily available, those properties change the way we look at a launch," says Lee Kranefuss, chief executive of Individual Investor Business, Barclays Global Investors.

"We can bring product to market with lower numbers because we don't have to deal with distribution costs. It gives Barclays the luxury to say, 'I'm hearing demand, let's bring out product X.' And in so doing, we can target smaller and smaller groups."

However, some wonder who would invest in an index with only 30 components that is not representative of the industry, especially when compared with other real estate indices, such as the Wilshire or the Morgan Stanley, both of which have about 100, or the Dow Jones, which has about 76.

A lot of institutional money is benchmarked against those larger indices. And, argues one industry observer, the institutional investors may think there aren't enough stocks in the index, because if three or four of those take a big hit, the ETF won't be cushioned, whereas in the larger indexes, it would.

Christine Hudacko, a spokesperson for Barclays, doesn't see a problem. "The iShares Cohen & Steers Realty Majors Index Fund responds to institutional investors' interest in a REIT-only ETF," she says. "Also, the REIT sector did very well last year, and if retail investors are interested in that kind of diversification, then this product offers it in a cost-effective manner."

A diversified product

Cohen & Steers has about $5 billion under management, about half of which is with institutional investors, such as Stanford University and the New York State Teachers' Retirement System, says John McCombe, senior vice president for marketing. The balance is with retail investors, to whom Cohen & Steers sells through intermediaries for open- and closed-end mutual funds.

Since the firm launched its Realty Majors Index, it has outperformed other real estate indices, says McCombe. Last year, he says, the Cohen & Steers index was up 31%, beating the Dow Real Estate, which was up about 19%; the NAREIT, up 26%; and the Wilshire, up about 29%.

"We're among the largest REIT money managers in the US," says McCombe. "We feel that we know our companies pretty well; hopefully that translates into the companies we've selected for the index."

Cohen & Steers selected the 30 leading dominant REITs in the industry. They're the largest names, the best capitalized companies, and they are among the most liquid from a trading perspective, he says. "Now that doesn't mean that they're always going to be performing the best. This year in fact, the smaller REITs are outperforming the larger ones. And this is after two years of outperformance by the realty majors."

The index, which reflects a modified cap weighting, is designed to keep the ETF in balance and prevent any one company from dominating it, says McCombe. It's also diversified by property types, such as office or apartment, and then geographically countrywide.

As of mid-February, the new ETF was trading fairly light volume, he says. "The volume in any of these ETFs has been really dominated by the two biggest, the QQQ and the Spider. But hopefully as the market grows, more and more investors will see the REIT ETF as a viable product. Currently, ICF has traded 2,000 to 3,000 in a week, and mid-February, we traded about 500 shares in a day."

The rise of global sector investing

By Elise Coroneos

The last month has seen the launch of tradable blue chip global sector indices by FTSE and Dow Jones. Introduced on February 12 and developed in consultation with Merrill Lynch, the FTSE global sector indices cover 11 sectors. The sectors encompassed by the FTSE indices include auto, banks, basic industries, energy, financials, general industries, media, pharmaceuticals, technology, telecoms and utilities.

> "Sector investing has become more and more important around the world"

Announced the same day, Dow Jones launched a new series of 18 sector Titans indices. The Dow Jones Titans cover much the same sectors as the FTSE, with the addition of cyclical goods and services, retail, food and beverage, noncyclical goods and services, insurance and construction.

The avalanche of index providers running to market with tradable sector indices invested on a global basis is in part a result of research suggesting that sector investing is gaining increasing significance and popularity. "Our research indicates a dramatic increase in sector-based investing over the past three years and demonstrates the need for widely used, identifiable and liquid indices," said Liam O'Neil, director of index products for Merrill Lynch, which is expected to launch exchange-traded funds based on the FTSE indices in May or June.

This research is encapsulated in a report entitled *"Portfolio Trading Strategy, FTSE Global Sectors: Launch of the First Tradable Global Sector Indices."* The case for investing in sectors on a global basis is illustrated in a comparison between the combined assets under management of the S&P 500 Sector SPDRs relative to the S&P 500 SPDRs. Since being launched in December 1998, the assets for the Sector SPDRs has grown fivefold, while the assets for S&P 500 SPDRs has only doubled for the same period.

Furthermore, there is evidence that the European investment allocation process has been dominated by sector activity since the beginning of 1998. In fact, according to the report, the sector-based approach currently represents 67% of the allocation process by European fund managers, mainly at the expense of a country-based approach.

Rising influence

The rising influence of sector investing at the expense of country-based investing is a result of the decreasing influence of country issues on economic performance (especially in the Eurozone), increasing sector correlation between stocks, and cross-border merger and acquisition activity.

According to Peter Reitz, executive director of research and development at Dow Jones Indexes, there is a trend away from country diversification and country investing and toward sector investing. "One of the reasons is that many companies are really global companies by nature, and it is very hard to allocate them to a particular country," says Reitz. "The sector effect has much more impact on companies these days than the economic environment in one particular country. That is why sector investing has become more and more important around the world."

Microsoft is a case in point, he says. Although the company is based in the US, the majority of its business is actually done outside the US. "It is becoming less important where companies are located, and more important what type of business they are in," says Reitz, who confirms that Dow Jones received many requests asking for the right measurement tool for global sector performance.

The performance of sector investing, says Reitz, is another reason for its increasing popularity. "There is substantial evidence that sector diversification can add a lot of value for investors," he says. For the year 2000, the Dow Jones Industrial Average, S&P 500, FTSE 100, CAC 40 and DAX produced performances in the range of 5% to -10%. This is compared to global sectors, where performances ranged from 35% if you invested in healthcare, to -35% if you invested in telecoms or technology.

Country baskets?

With the increased influence of sectors on the performance of stocks around the world, questions have been raised about the long-term viability of country-based investing. This a particularly pertinent question for exchange-traded funds providers such as Barclays Global Advisors whose product development to date has concentrated on country-based investments and country-based sectors.

Tom Taggart, spokesman for BGI, confirms that the company is currently considering whether to offer global sector-based exchange-traded funds in order to round out its product portfolio, but firmly believes that country-based ETFs are not out of favor. "I think the case for international investing through ETFs is clear," says Taggart. "ETFs are often the only investment vehicle for US investors in foreign markets, and it's difficult enough to pick the right stocks in the US market let alone in a foreign market."

This response is not surprising considering BGI's substantial strategic investment of MSCI country baskets. March will mark the company's fifth year anniversary of managing MSCI indices. Taggart says that BGI looks at exchange-traded funds in a holistic way rather than on a fund-by-fund basis.

The growth in sector investing will not have any effect on BGI's commitment to provide country-based ETFs, says Taggart. He says that the future of funds such as MSCI Austria, which has a tiny index of only 11 stocks and has attracted only $12 million in five years, is not in doubt.

"Our strategy," says Taggart, "is to provide all the different tools that people will either want now or they may want in the future so that investors don't have to go outside of the iShares fund family to get that tool. We look at the whole pie."

Defendants in newest Mopex suit receive extension

By Michael Ocrant

A dozen major corporations that were sued in federal court on January 16 by Mopex, an Illinois-registered corporation that is seeking damages for alleged patent infringements it claims gives it the rights to ETFs, have received an extension until March 15 to respond to the patent violations they are accused of committing.

The lawsuit was filed in US District Court for the Northern District of Illinois Eastern Division, and named the Chicago Stock Exchange as the lead defendant. It makes the same claims as one filed in federal court in New York last year against Mopex by the American Stock Exchange, which acted preemptively after meetings in which Mopex officials and attorneys demanded a licensing agreement with the exchange.

Industry observers wondered why some other entities with a large presence in the ETF marketplace weren't also named in the lawsuit. Richard Himelhoch, an attorney with Wallenstein & Wagner Ltd, which is representing Mopex and its two principals, Kevin Bander and Ken Kiron, explained that only companies that do business at the CHX were named.

The other defendants named were Alps Mutual Fund Distributors; Barclays Global Investors; SEI Investment Distribution; Investors Bank and Trust Co; State Street Bank and Trust Co; Merrill Lynch, Pierce, Fenner & Smith Inc; the National Securities Clearing Corp; Dempsey and Co; Sydan; Rock Island Securities; and Susquehanna Partners. Himelhoch didn't rule out additional lawsuits against other ETF market players, however, although he added that "at this stage I couldn't say what our future plans may be."

At the same time, Himelhoch said, "others are getting into the business that we feel may infringe the [Mopex] patent," but he declined to indicate whether any other suits are being contemplated.

In filing the suit, Mopex has opened a broad front against a group of deep-pocketed ETF product developers and market makers that could either help or hinder its efforts at obtaining a settlement from one or more of those named, a result that Mopex and its attorneys have consistently indicated was the ultimate goal.

Legal observers suggest that Mopex's best hope for obtaining any type of overall settlement would be to get one of the entities to enter into one, thereby giving the patent claim more credibility and putting pressure on other defendants to settle.

Conversely, legal sources note, with so many defendants named in the suit, Mopex could face an onslaught from many quarters that could result in a costly battle should it decide to go all the way to a trial that would likely last a year a more. Then, even if Mopex should prevail, it would likely be confronted with a long appeals process before knowing whether it could claim victory.

24/7: Trading ETFs globally

By Marsha Zapson

In February, the American Stock Exchange made possible the cross-listing and trading of US, European and other internationally sourced, specifically Asian, ETFs. This means that ETFs will be able to trade globally, 24 hours per day, seven days per week. "Many have talked about it; we'll be the first out of the box to be able to do it," says Bob Rendine, senior vice president of corporate communications for the Amex.

In February, the Amex agreed to a joint venture with Euronext, the first pan-European exchange, which, when added to its agreement with the Singapore exchange signed last June, will pave the way for 24-hour trading on three continents. The Amex plans to go live in Singapore in early April, and is currently running test trades in that market. "It's the first of its kind in terms of a trading platform that will trade from Asia—or anywhere else abroad, for that matter—back to the US in fully fungible trading, with cash settled in US dollars," says Rendine.

Initially, the Amex will launch a small cadre of ETFs, but the intention is to list all funds. "It's still being worked out, but we will start out with a handful of four or five of the more popular products, such as the Spiders or Diamonds," he says.

In addition to Singapore, the Amex is also looking to enter markets in Tokyo and South America. "Those are probably the next logical markets, and will give us the full global coverage we're looking for. You'll see those alliances probably completed by the end of the year," says Rendine.

The Amex has been working with clearing agencies, in the US and abroad, and some trading platforms to handle the trades and have them clear in US dollars, says Rendine. The exchange is also working with the Singapore government and its regulatory agencies to change some of its rules and regulations to make the trading possible. At present, the Amex is engaged in a similar parallel track in Europe. "We've begun the process of working very carefully with regulators there, and hopefully will shorten the time frame to bring product to market," he says.

This new venture enables investors around the globe to access products in their own time zone, says Jim Pacetti, president of ETF International Assoc, Inc. The way it actually works is that the prices are quoted in dollars, and there will be an outside quote vendor converting to local currency, he says. Because the underlying security is the same security that's listed on the Amex, it will be fully fungible, and all the creations and redemptions will be done in the US.

Whoever is making a market in Singapore or in Euronext, for example, will be running a book with its affiliate in the US, says Pacetti. And wherever the products are listed, they will be registered for sale, which means the products will be promoted locally, and the Singapore exchange or Euronext can actively solicit and go out and market these to retail and institutional investors, he says.

Mutual funds vs exchange-traded funds

By Elise Coroneos

As the year 2001 sees the popularity of exchange-traded funds continue to grow, traditional mutual fund companies have taken a step toward educating their affiliated financial advisors about the differences between ETFs and traditional index-based mutual funds. One case in point is Charles Schwab & Co Inc, which distributed a report to its network of more than 6,000 financial advisors in January. Compiled by the Schwab Center for Investment Research, the report is entitled *"Exchange Traded Funds: Opportunities and Risks."*

After assessing a variety of factors, the report concludes that investors with long time horizons and large lump-sum amounts to invest should seriously consider exchange-traded funds as an investment option. Although ETFs attract a commission because of their tradable nature, the report contends, this cost is not important to an investor with a long-term horizon. In contrast, however, the report advises that long-term investors making smaller, periodic investments should stick with traditional index funds because of their ability to be traded with zero commission.

The report's conclusions regarding the relative attractiveness of exchange-traded funds over traditional funds for certain types of investors are based on assessments of market-making costs, transaction costs, operating expenses and capital gains distributions.

The report calls into question the perception that ETFs distribute lower capital gains and suggests that, in the absence of tax benefits, the tradeoff between trading costs and expense ratios becomes critical.

Although the report acknowledges that the operational structure of ETFs means they are more readily able to avoid capital gains distributions than traditional index funds, there are anomalies in this assumption when historical data are considered. For example, in three of the past four years, the Schwab S&P 500 Index fund has had zero capital gains distributions, suggesting that ETFs do not have a monopoly on capital gains tax efficiency.

Costs comparison

In a comparison between expense ratios of exchange-traded funds and index mutual funds using the same index, the report shows lower expense ratios for ETFs in each category except foreign funds. This is despite the cumulative effect of operating expenses, which can overwhelm fixed trading costs. According to the report that sources data from Morningstar Inc, ETFs generated lower expense ratios for the S&P 500, S&P Midcap, S&P Smallcap 600, Russell 2000 and sector indices as of October 31, 2000.

According to the report, exchange-traded funds based on the S&P 500 generate an expense ratio of 0.12%, compared to 0.18% for index funds. For the S&P Midcap, the expense ratio for ETFs is 0.25%, compared to 0.32% for index funds. For the S&P Smallcap 600, the expense ratio for ETFs is 0.20%, compared to 0.32% for index funds. And for the Russell 2000, the expense ratio for ETFs is 0.20%, compared to 0.28% for index funds.

Although considerably higher than their small and midcap cousins, according to the report, the expense ratio for sector-based exchange-traded funds is 0.34%. This still beats that of index funds, which weighs in at 0.46%. It is only in the foreign fund category that index funds generate a lower expense ratio than do ETFs based on similar indices. According to the report, the ratio for foreign or country based ETFs is 0.85%, almost double the index funds ratio of 0.43%.

According to data provided by Barclays Global Investors, the expense ratios for exchange-traded funds are lower than those of index mutual funds. As of March 31, 2000, based on an investment of $100,000, the expense ratio for INVESCO S&P 500 index fund is 0.55%, for Dreyfus S&P 500 0.50%, and for Schwab S&P 500 0.35%. All higher ratios than those of the their counterparts traded in an ETF format.

When it comes to bid/ask spreads, the report concludes that it is difficult to make any definitive conclusions about their relative effect on exchange-traded funds as opposed to mutual funds. Although mutual funds may be perceived to have an advantage because their cost spreads are embedded in performance results, this effect may be countered by the size and predictable nature of mutual fund trades leading to higher cost spreads.

By their very nature of being tradable throughout the day, exchange-traded funds pose a risk that is not an issue for investors in traditional index funds, which can be traded only once a day. Because exchange-traded funds can be bought at a premium and then sold at a discount, the report suggests the use of limit orders to minimize this risk.

Comparison of operating expense ratios of ETFs and index funds

Fund Category	S&P 500	S&P Midcap	S&P Smallcap 600	Russell 2000	Sector	Foreign
Asset-weighted avg						
ETFs	0.12%	0.25%	0.20%	0.20%	0.34%	0.85%
Index Funds	0.18%	0.32%	0.32%	0.28%	0.46%	0.43%
Sample Size						
ETFs	12	2	1	1	24	20
Index Funds	73	6	5	9	5	22

As of: October 31 2000. Source: Morningstar, Inc

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There's an elephant in the room

whelming increase in trading volume in the QQQs. The composite trading volume last year of ETFs, including HOLDRS, was 11.3 billion, with a daily average of 45.8 million. This was up from a trading volume of 4.4 billion in 1999 and a daily average 19.4 million. Included in that breathtaking increase in trading volume was the QQQs, which had composite trading volume of nearly 7.0 billion in 2000, with a daily average of 27.7 million—more than the total volume of all ETFs and HOLDRS combined in 1999.

Give us time

New ETF products introduced in 2000 included 40 Barclays Global Investors' iShares; a line of ETFs called streetTRACKS, introduced by State Street Global Advisors; and two products that track the *Fortune* 500 and the *Fortune* e50. This year, Vanguard Group's new ETFs, called Vipers, are expected to begin trading on the Amex.

But if there is a real investor bias toward the top tier of ETFs, what might the future hold for ETFs introduced this year and those coming down the pike? And how do the existing players judge the success or failure of current products?

"We have 23 products globally and 21 in the US," says Greg Ehret, a principal with State Street. "We judge products by assets under management and their share of total ETF assets outstanding excluding HOLDRs." State Street has about 46–47% of total ETF assets, including the S&P 500 SPDR, according to Ehret.

"New products have to be complementary to the existing product line," says Ehret. "You want investors you have relationships with to use only your products, so you have to have all the different style mixes." That means being willing to have product with a lot fewer assets in it if it complements the other offerings.

Barclays' spokesman Tom Taggart agrees. "When we decided to get into this market, we wanted to provide the most asset allocation tools in the format." People will invariably shift from one product to another, depending on which sectors they want to invest in, he says. The key is to provide an investor as many alternatives as possible under one roof.

"We don't judge success on a fund-by-fund basis," says Taggart. "Who knows when an investor may want to shift into Austria?" This is a reference to the iShares MSCI-Austria fund, which ended last year with about $10.8 million in assets, down from $12.1 million at the end of 1999. Trading volume in the fund also dropped, to 4.9 million in 2000 from about 5.4 million in 1999.

"You don't treat ETFs like stocks in terms of judging them by low trading volume," says Taggart. "The arbitrage provides the liquidity in the current pricing in ETFs, and there's considerable arbitrage even on smaller funds like the Austria fund."

He says that one never knows when an investor will want to invest in a market or sector. "When we said we were launching the utility fund, people looked askance saying the sector is dead; but it was one of the best performing sectors last year."

While investor attention appears to be skewed toward the heavyweights, it's important to remember that the other products have been around a much shorter time, says Ehret. "In spite of the rapid success of the QQQs, you can't have unrealistic expectations. The QQQ skews our expectations of other funds. Though it's only been around for two years, it drew better than a 100% return per year. But you have to be more pragmatic; you can't count on those types of returns to fuel growth."

Taggart acknowledges that a good portion of the growth in ETFs occurred in relatively few products, but says the fact that products were successfully launched and that any growth occurred at all last year, given the poor performance of US equity markets, is testament to how attractive ETFs are to investors.

"We are satisfied with the growth," says Taggart. "We launched 70% of our products less than a year ago. Institutions and hedge funds are really just learning the ways they can use these in lieu of futures program trades, basket trades and so forth. And as investors become educated about picking funds that have no style drift, that have lower costs, they will do even better."

Chasing performance

Last year didn't present the best conditions to launch a new product, agreed Michael Porter an analyst with Salomon Smith Barney. "People have a great knowledge about the top three products, and those products will continue to be dominant. With the others, you'll see assets go up if the sectors take off. People love to chase performance, and last year wasn't a good performance year; so it's kind of hard to judge ETFs based on 2000 performance."

The same thing applies to the international arena, where the UK, Japan and Germany funds are dominant players, accounting for an overwhelming majority of the total overall assets picture, says Porter. "There is a lopsidedness because these markets tend to be more important to institutions."

In the case of the bigger funds, they often sell themselves, whereas other products—often based on lesser known indices—have to be sold aggressively, he says. "I suspect that as certain sectors start to take off, you could see liquidity and assets shift to other funds in other sectors that aren't currently active traders and are otherwise uninteresting."

Porter says that the Diamonds, Spiders and QQQs are major benchmarks with a universal feel. "They are 'go to' funds. That doesn't mean over time, as people become more educated about these products in general and start using them that you won't see liquidity attracted to a particular sector size or style fund that right now doesn't look too good because of the choppiness of the market."

Right now, says Porter, it's too early to judge how the ETF market will shape up.

But almost all participants in the ETF marketplace agree that anyone offering funds has to be committed to offering a full product mix. If the product line is complete, it's acceptable to have some products that aren't doing as well as others as long as they are complementary to the overall product offering.

"The fact that our products have grown $2 billion in the first two months of the year," says Ehret, "is a credit to the fact that people are looking to our products in general and we wouldn't want to eliminate something an investor wants."

ETF 2000 Assets and Volume Compared to 1999

Name	Trade Days 1999	Net Assets 12/99 ($M)	Composite Volume 1999 Total	Trade Days 2000	Net Assets 12/00 ($M)	Composite Volume 2000 Total
S&P 500 SPDR	252	19,806.67	1,824,143,200	252	25,480.98	1,932,970,300
Nasdaq-100 Index Tracking Stock	207	5,888.26	1,431,965,500	252	23,560.37	6,972,864,800
S&P 400 MidCap SPDR	252	2,346.86	213,182,000	252	3,946.83	212,466,000
DJIA DIAMONDS	252	1,293.67	222,885,200	252	2,339.64	351,403,900
iShares MSCI						
iShares MSCI-Australia	252	65.65	5,424,800	252	58.47	4,974,500
iShares MSCI-Austria	252	12.13	2,204,200	252	10.79	2,473,300
iShares MSCI-Belgium	252	13.54	1,789,800	252	11.56	1,842,600
iShares MSCI-Canada	252	11.55	2,454,000	252	17.30	5,966,200
iShares MSCI-France	252	82.02	6,946,500	252	94.15	10,384,400
iShares MSCI-Germany	252	156.98	16,033,300	252	164.58	21,050,700
iShares MSCI-Hong Kong	252	88.85	18,344,800	252	70.45	15,523,600
iShares MSCI-Italy	252	60.11	4,851,700	252	54.02	4,823,200
iShares MSCI-Japan	252	978.55	127,226,400	252	650.11	112,165,800
iShares MSCI-Malaysia	252	103.19	36,388,700	252	88.45	24,851,600
iShares MSCI-Mexico	252	27.01	8,276,000	252	30.98	7,886,800
iShares MSCI-Netherland	252	28.86	2,087,700	252	38.95	2,925,600
iShares MSCI-Singapore	252	131.27	27,672,200	252	69.11	20,610,300
iShares MSCI-Spain	252	42.14	2,596,500	252	40.30	2,544,300
iShares MSCI-Sweden	252	24.18	1,470,200	252	24.62	2,162,100
iShares MSCI-Switzerland	252	42.24	4,801,000	252	50.61	6,185,300
iShares MSCI-U.K.	252	124.19	14,358,300	252	179.92	18,044,000
Select SPDRs						
Select Sector SPDR-Basic Industries	252	110.99	17,891,500	252	78.20	23,593,400
Select Sector SPDR-Consumer Services	252	117.63	8,015,600	252	77.85	12,684,300
Select Sector SPDR-Consumer Staples	252	266.56	21,297,700	252	205.65	44,699,100
Select Sector SPDR-Cyclical/Transportation	252	166.93	8,307,700	252	67.72	35,286,500
Select Sector SPDR-Energy	252	228.29	44,071,600	252	262.84	87,438,200
Select Sector SPDR-Financial	252	342.11	58,173,200	252	504.45	132,079,500
Select Sector SPDR-Industrial	252	133.09	11,595,800	252	53.20	16,190,800
Select sector SPDR-Technology	252	1,091.98	170,130,800	252	1,074.38	169,306,900
Select Sector SPDR-Utilities	252	122.56	8,264,300	252	72.85	29,220,000
HOLDRS						
Biotech HOLDRS	27	763.41	6,245,100	252	1,675.86	191,395,900
Internet HOLDRS	70	1,218.43	53,340,500	252	255.84	224,810,700

Index Share And HOLDRS Asset Summary

Name	Net Assets 12/99 ($M)	Net Assets 12/00 ($M)
Total Assets (Index Shares & HOLDRS)	35,889.91	70,316.55
Total Assets (Index Shares Only)	33,908.07	65,257.79
Total Assets SPDRs	19,806.67	25,480.98
Total Assets Nasdaq 100 Trust	5,888.26	23,560.37
Total Assets HOLDRS	1,981.84	5,058.76
Total Assets MidCap SPDRs	2,346.86	3,946.83
Total Assets iShares S&P	-	3,319.94
Total Assets Select SPDRs	2,580.14	2,397.14
Total Assets DIAMONDS	1,293.67	2,340.00
Total Assets iShares MSCI	1,992.47	1,798.62
Total Assets iShares Russell	-	1,517.26
Total Assets iShares Dow Jones	-	504.54
Total Assets streetTRACKS Dow Jones	-	154.09
Total Assets Fortune Index Tracking Stocks	-	142.14
Total Assets streetTRACKS Morgan Stanley	-	96.26

Source: 1999 and 2000 assets are based upon data provided by BONY, BGI, State Street Bank. Prior to 1999, assets are calculated using NAV's and shares outstanding as reported by Bloomberg.

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The capital gains dilemma

these two country baskets saw capital appreciations in Nortel and Ericsson, respectively, investors were hit with capital gains: The ETFs went over the percentages allowed, their exemptions were nullified, and Barclays had to prune.

Kranefuss says the country MSCI series were especially vulnerable because they have fewer stocks in them than other ETFs. "So unfortunately, no matter how you're trying to manage the fund in a tax-efficient manner, no matter how tax efficient the underlying structure is, you do get into situations where you do have to sell the stock, which has by definition appreciated the most, and thus realize the gain."

> "When you're dealing with narrow indexes, you're going to see capital gains"

But while distributions from ETFs that track country-specific or smaller-cap indices where turnover tends to be higher are understandable, Barclays also saw capital gains in its new iShares S&P 500 Index Fund. This fund had a distribution of $0.07 a share last year; in comparison, other ETFs tracking the S&P 500, such as the Spider, did not—and have not, except for 1996—passed out capital gains.

Rebalance

Even so, Kranefuss considers the S&P iShares to have had a negligible capital gain. He makes an interesting comparison with the iShares tracking the S&P 500 and the Russel 2000. "There's been a lot of talk about the iShares 500 passing out seven basis points; on the Russell we passed out 20 basis points," says Kranefuss. "The Russell index, because of its reconstitution methodology, is inherently difficult to keep tax efficient because the fund winds up removing a lot of stock and rebalancing. If you compare it with the Vanguard Small Cap Fund based on the Russell, which passed out 13%, by my calculation, we were 65 times more tax efficient."

As he points out, when the iShares did pass out capital gains, they were small and a lot came in that six-month period when the iShares had tremendous cash inflows. The capital gains in iShares 500 happened, says Kranefuss, because of the fund's youth, the wash sale rule and end of year reporting deadlines.

The S&P iShare was launched on May 15, 2000, and cash flowed into the new fund quickly. Six months later, by the end of October, it had almost $2 billion in assets. When investor demand grew and new in-kind stock creations were made in October, the iShare nearly doubled in size, says Barclays.

The iShares' managers attempted to be tax efficient and sold stocks for a tax loss, but the fund was hit with the wash sale rule and couldn't use the losses. (The wash sale rule spans 61 days: 30 before the trade and 30 after the day of the sale. The associated loss is not lost, but merely deferred until such time as the underlying position is sold without a repurchase within the 61 days.) As the IRS saw it, Barclays' ETF had repurchased its shares when it received its large in-kind contributions.

Compounding the problem, the reporting period for a fund's capital gains ends October 31, thereby cutting shorter the already short life of Barclays iShare for 2000. "As the fund stabilizes, we're going to be able to do better going forward," says Kranefuss. The influence of large contributions should be smaller since the fund will be larger as the fund continues to grow.

Planning for exigencies

It could be said that Barclays was a victim of bad timing. Or, it could be said that it didn't plan for exigencies that could occur.

One industry observer notes that Barclays' capital gains were in part due to the youth of the funds, but also due to lack of foresight. He lays out the evidence: The Spider, which has been around since 1993, didn't have capital gains; and the Spider's first couple of years were up years for the S&P. Similarly, the QQQ in its very first year had an 80% gain, yet it didn't pass on capital gains. At the end of the day, he says, the service provider sets these products up, and the service provider should have been able to look at the applications as a co-filer and inform Barclays that it was making a mistake.

In the examples mentioned earlier, the source says, the Canadian and Swedish iShares did not have to register as diversified, and could have thereby avoided the 5/25 rule; and the S&P 500 iShares, which had huge capital appreciations, were not planned for in a tax-efficient manner. As a result, the funds were unable to take advantage of the wash sale rule, and, exacerbating the problem, slammed up against the October 31 closing.

Another possible reason for Barclays capital gains, according to another industry source, may have been Barclays' optimization of its funds, which means, for example, that Barclays iShares S&P 500 may not have been holding all 500 stocks in the S&P 500 Index. If Barclays is indeed optimizing, it will buy and sell stocks that are not needed in the portfolio—thereby trying to beat the yield of the S&P 500—and in doing so creating taxable transactions.

It should be noted that Barclays says that its fund has been fully replicated with the S&P 500 since inception.

Also, industry sources say, Barclays, which has more than $800 billion under management independent of its iShares, operates institutional portfolios that are very similar to, or at least hold the same stocks as, the iShares. A big portion of its business has been crossing between those portfolios, which means it trades internally, according to these sources. In selling from one and buying from another, Barclays would reduce its commission expense by not going out on the street.

Assuming that model is live, its downside is that ETFs will have to realize the capital gains in those transactions, the sources say. If Barclays is optimizing its funds, it can't receive and deliver between two disparate portfolios free, which can be done in the ETF creation and redemption process. Moreover, the funds are new, and the effect on those funds would be greater for just a short number of cash related transactions.

SSGA will roll out REIT fund

State Street Global Advisors, which launched the Spider, is expanding its product line and will launch an REIT ETF at the end of the first quarter. The streetTRACKS Wilshire REIT Index Fund will track the Wilshire REIT Index, which is composed of 105 real estate equities. SSGA chose the Wilshire Index because it is an institutional benchmark, is widely tracked by institutional investors, is extremely liquid and representative of the REIT industry, and presents minimal potential conflict of interest with Wilshire as provider.

Gus Fleites, SSGA's managing director of ETFs, says SSGA is always looking for specific indices that would be attractive to both retail and institutional investors. "Our conclusion is that real estate will continue to rebound and be increasingly used in the asset allocation decisions of institutional investors as well as baby boomers approaching retirement because of the high yields typically associated with REITs."

BGI offers European sector-based funds

In mid-February, Barclays iShares launched the first of the UK's pan-European sector-based ETFs. The new ETFs track four pan-European sector indices recently created by Bloomberg: iBloomberg European Technology, iBloomberg European Pharmaceuticals, iBloomberg European Telecoms and iBloomberg European Financials.

Priced in sterling, the new Bloomberg sector iShares provide investors with broad-based exposure to some of the largest and most actively traded companies in the underlying sectors from 13 countries across Europe. The annual management charges for all Bloomberg sector iShares will be priced at 0.5%, and no stamp duty will be incurred.

Meet QQV, Amex's new volatility index

The American Stock Exchange has begun disseminating a new volatility index called the QQV, based on options on the Nasdaq-100 Tracking Stock, or QQQ. During 2000, AAA options were the most actively traded option on the Amex. And among all the options traded on the nation's five options exchanges, QQQ ranked as the second most active option. Of the three US-based options trading on the Nasdaq-100 Index, QQQ is, by a huge margin, the most actively traded.

The QQV measures implied volatility. For example, a QQV of 50 suggests that investors expect that over the next year QQQ could be as much as 50% above or 50% below its current level. QQV will be updated every 15 seconds, thereby measuring the shifts in investor expectations throughout the trading day. The Amex began tabulating the QQV in September. Since then, based on closing QQQ prices, QQV has ranged from a low of 42.9 to a high of 75.4; intraday, it has gone as high as 82.4.

Omaha firm launches a first fund of ETFs

Everest Funds Management LLC, located in Omaha, Nebraska, launched a fund of ETFs December 1, 2000. The concept is new, and this is the first fund of ETFs ever to be launched. It will include the three stellar ETFs that continuously top the American Stock Exchange weekly volume and assets charts: the Spider, the Diamonds and the QQQ.

Tom Pflug of Pflug Investment Management, also in Omaha, said that the Everest3 Index Fund—known as the "Everest Cubed Fund"—is registered with the Securities and Exchange Commission as a regulated investment company, or mutual fund, to attract 401(k) plans and retail investors. Because Everest3 is a mutual fund, it will not be traded during the day, but will have its net asset value determined after 4:00 pm, similar to all other mutual funds.

The fund opened with $900,000 in seed capital from two investors. It is currently registered in Nebraska and Virginia, and plans to register in other states as demand and assets grow. The fund will launch an extensive promotional campaign February 1, said Pflug.

According to its prospectus, Everest3 will invest between 10% and 80% in each of its three underlying ETFs. "We'll be reviewing allocations monthly, although we don't foresee changing allocations more than quarterly," said Pflug. Rebalancing the portfolio frequently would incur fees that would be passed on to the investor and would mitigate the tax efficiency of the ETF structure.

"There will be capital gains to the extent that the underlying ETFs distribute capital gains," said Pflug. "Clearly, we have to serve as a conduit for our shareholders and distribute capital gains as well as transaction fees. The idea is that we will not be attempting to trade every blip in the market, and will be adhering pretty strictly to our asset allocation. We will keep trading costs as well as the resulting capital gains distribution to a minimum."

Merged operation will go full service

JP Morgan Investor Services, formerly Chase Global Investor Services and now positioned as the back-office services unit of the recently merged JP Morgan Chase, intends to be a major player in providing back-office services for exchange-traded funds.

Chase was one of four ETF service vendors in the US—the others are State Street, Bank of New York and Investors Bank & Trust—but Chase handled only custodian and securities processing for the iShares country baskets. IBT provides all other processing services for those products.

JP Morgan Investor Services will build on an infrastructure already put in place by Chase to service the Barclays iShares. The new unit now offers a full range of services, including custody, securities processing, index receipt agent, transfer agency, fund/trust administration and fund accounting.

George Evans, senior vice president of JP Morgan Investor Services, said the firm plans to leverage its global custody capabilities to take advantage of ETFs that will be traded 24-hours per day, on different continents, in different currencies.

The Vanguard Group recently awarded JP Morgan custody of approximately $157 billion in assets for six mutual funds, as well as its line of yet-to-be-launched ETFs called VIPERS (Vanguard Index Participation Equity Receipts), which are based on the S&P 500 Index and other S&P indexes.

Although the SEC approved the VIPERS in December, their launch has been delayed by a law suit filed by Standard and Poor's.

EXCHANGE-TRADED FUNDS
Week ending February 16 2001

Major market indices

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
Nasdaq-100 Index Tracking Stock	QQQ	38 014 920	410 600	22 661.01	55.13	55.18	(0.09)	(2.25)	(5.56)	(46.28)
S&P 500 SPDR	SPY	5 321 620	203 726	26 594.39	133.34	133.05	0.22	1.14	1.64	(0.41)
DJIA Diamonds	DIA	1 282 880	21 501	2 323.83	109.34	109.14	0.18	1.22	2.40	8.05

iShares Dow Jones series

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares DJ US Basic Materials	IYM	400	250	9.29	36.85	38.01	(3.05)	(0.41)	(6.04)	
iShares DJ US Chemicals	IYD	860	400	16.55	41.85	42.27	(0.99)	1.70	(4.00)	
iShares DJ US Consumer Cyclical	IYC	3 920	450	26.90	60.59	60.52	0.12	1.35	8.80	
iShares DJ US Energy	IYE	17 380	650	35.17	53.34	53.57	(0.43)	(1.84)	(2.99)	
iShares DJ US Financial	IYF	3 980	1 100	94.34	85.58	85.55	0.04	(0.02)	(1.63)	
iShares DJ US Financial Services	IYG	4 480	250	24.80	99.28	98.94	0.34	(0.02)	0.47	
iShares DJ US Healthcare	IYH	19 620	1 100	70.66	64.89	64.77	0.19	(1.83)	(9.76)	
iShares DJ US Industrial	IYJ	1 600	500	27.74	57.20	57.04	0.28	0.97	1.24	
iShares DJ US Internet	IYV	30 140	750	20.65	29.50	29.38	0.41	(0.03)	(4.55)	
iShares DJ US Non-Consumer Cyclical	IYK	1 840	350	15.29	43.15	43.23	(0.19)	(1.93)	(0.66)	
iShares DJ US Real Estate	IYR	17 220	550	41.28	75.21	75.23	(0.03)	(0.25)	(0.97)	
iShares DJ US Technology	IYW	18 160	1 500	110.45	78.70	78.52	0.23	0.77	5.55	
iShares DJ US Telecommunications	IYZ	16 660	1 500	61.49	41.85	41.75	0.24	(3.90)	7.82	
iShares DJ US Total Market	IYY	5 040	1 150	69.74	61.76	61.77	(0.02)	(1.03)	0.37	
iShares DJ US Utilities	IDU	55 540	400	33.30	82.00	82.52	(0.63)	(0.97)	(7.64)	

iShares MSCI series

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares MSCI-Australia	EWA	21 600	5 200	48.83	9.25	9.45	(2.12)	(3.14)	(2.63)	(6.19)
iShares MSCI-Austria	EWO	4 000	1 400	11.59	8.35	8.31	0.48	2.71	10.41	8.37
iShares MSCI-Belgium	EWK	8 700	840	10.69	12.60	12.77	(1.33)	(1.56)	(1.18)	(2.06)
iShares MSCI-Brazil	EWZ	9 900	950	16.35	17.34	17.17	0.99	(3.67)	5.09	
iShares MSCI-Canada	EWC	56 100	1 300	16.07	12.50	12.41	0.73	(8.09)	(6.54)	(8.59)
iShares MSCI-EMU	EZU	8 120	800	54.63	68.75	68.46	0.42	(2.66)	(6.14)	
iShares MSCI-France	EWQ	22 520	3 401	77.41	22.84	22.84	0.00	(3.63)	(7.49)	(12.68)
iShares MSCI-Germany	EWG	34 000	8 701	165.14	19.00	18.94	0.32	(3.11)	(2.56)	(23.06)
iShares MSCI-Hong Kong	EWH	47 820	5 701	67.90	11.79	11.91	(1.01)	(0.08)	2.52	(9.14)
iShares MSCI-Italy	EWI	8 200	2 100	44.29	21.00	21.16	(0.76)	(2.87)	(7.18)	(12.03)
iShares MSCI-Japan	EWJ	373 820	53 401	566.58	10.50	10.65	(1.41)	(1.41)	(5.09)	(27.43)
iShares MSCI-Malaysia	EWM	22 900	17 700	94.70	5.20	5.35	-2.80	(3.35)	2.71	(30.98)
iShares MSCI-Mexico	EWW	38 880	2 400	35.78	14.90	14.94	(0.27)	0.68	11.92	(14.63)
iShares MSCI-Netherlands	EWN	5 040	1 651	36.29	21.95	22.04	(0.41)	(1.79)	(3.25)	(6.70)
iShares MSCI-Singapore	EWS	16 960	9 900	66.03	6.56	6.67	(1.65)	0.92	0.92	(6.63)
iShares MSCI-South Korea	EWY	21 180	1 350	20.40	14.65	15.12	(3.11)	0.07	19.59	
iShares MSCI-Spain	EWP	39 160	1 425	35.34	24.55	24.86	(1.25)	(2.89)	7.03	(9.51)
iShares MSCI-Sweden	EWD	6 720	975	16.84	17.00	17.37	(2.13)	(5.03)	(4.90)	(37.04)
iShares MSCI-Switzerland	EWL	13 580	3 001	46.97	15.65	15.65	0.00	(2.61)	(6.92)	5.38
iShares MSCI-Taiwan	EWT	18 800	8 500	110.59	12.66	13.02	(2.76)	2.34	19.85	
iShares MSCI-UK.	EWU	18 780	8 201	139.17	16.97	17.03	(0.35)	(1.57)	(3.72)	(4.81)

iShares Nasdaq series

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares Nasdaq Biotech	IBB	13 020	1 000	96.59	Trading commenced Feb-9-2001					

iShares Russell series

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares Russell 1000	IWB	34 940	3 400	234.57	70.26	70.23	0.04	(0.35)	0.09	
iShares Russell 1000 Growth	IWF	18 320	2 300	143.43	64.97	64.84	0.20	(0.18)	0.53	
iShares Russell 1000 Value	IWD	54 980	2 600	155.66	60.00	59.92	0.13	(0.43)	(0.03)	
iShares Russell 2000	IWM	327 260	6 100	607.38	101.40	101.48	(0.08)	1.52	5.90	
iShares Russell 2000 Growth	IWO	40 320	2 200	144.08	67.01	67.27	(0.39)	0.09	4.40	
iShares Russell 2000 Value	IWN	49 560	2 350	285.03	122.70	122.80	(0.08)	1.66	6.11	
iShares Russell 3000	IWV	15 320	5 750	412.85	73.25	73.10	0.21	0.14	1.10	
iShares Russell 3000 Growth	IWZ	1 280	500	24.86	50.45	50.70	(0.49)	(3.94)	(2.57)	
iShares Russell 3000 Value	IWW	4 220	450	34.27	76.30	76.30	0.00	(0.52)	(0.42)	

iShares S&P series

Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million)	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares S&P 500	IVV	71 640	17 250	2 250.44	133.00	132.97	0.02	(0.19)	1.25	
iShares S&P MidCap 400	IJH	31 660	1 800	186.70	105.59	105.42	0.16	1.29	2.24	
iShares S&P SmallCap 600	IJR	76 280	1 650	186.50	115.00	115.35	(0.30)	1.91	6.39	

(continued over)

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Fund Name	Ticker	Volume	Shares (000)	Net assets ($ million	Price	NAV	Spread	Return 1 Week	Return YTD	Return 1 Yr
iShares S&P series *(continued)*										
iShares S&P 100 Index Fund	OEF	1 780	1 750	118.39		67.65				
iShares S&P Global 100 Index Fund	IOO	1 980	1 600	108.64		67.90				
iShares S&P Europe 350 Index	IEV	33 700	1 650	116.18	71.99	71.29	0.98	(2.29)	(6.13)	
iShares S&P MidCap 400/Barra Growth	IJK	11 420	850	102.26	122.75	122.86	(0.09)	1.05	(0.91)	
iShares S&P MidCap 400/Barra Value	IJJ	13 680	800	71.05	89.74	89.87	(0.14)	1.10	4.96	
iShares S&P 500/Barra Growth	IVW	129 700	2 250	149.09	68.00	67.92	0.12	(0.32)	(0.37)	
iShares S&P 500/Barra Value	IVE	208 680	5 900	378.60	65.22	65.07	0.23	(0.40)	2.91	
iShares S&P SmallCap 600/Barra Gwth	IJT	8 620	450	34.55	78.75	78.67	0.10	0.45	0.44	
iShares S&P SmallCap 600/BarraValue	IJS	35 240	800	66.81	84.75	84.95	(0.24)	2.68	10.06	
iShares S&P Toronto SE 60	IKC	1 760	150	7.51	54.00	54.03	(0.06)	(1.91)	3.85	
iShares Dow Jones series										
S&P 400 MidCap SPDR	MDY	635 700	43 775	4 171.76	95.20	95.31	(0.12)	(0.09)	0.87	19.36
SPDR Basic Industries	XLB	21 520	3 950	81.61	21.09	21.09	0.00	2.38	(1.55)	1.12
SPDR Consumer Services	XLV	9 120	3 050	89.15	29.32	29.48	(0.54)	0.24	7.60	4.17
SPDR Consumer Staples	XLP	48 900	9 250	245.96	26.54	26.53	0.04	(2.32)	(7.08)	26.22
SPDR Cyclical/Transportation	XLY	706 520	4 350	118.62	27.59	27.54	0.18	3.14	7.80	11.32
SPDR Energy	XLE	78 600	7 850	258.81	32.73	32.71	0.06	(3.51)	(1.38)	25.34
SPDR Financial	XLF	731 080	29 601	859.02	29.04	28.92	0.41	(0.34)	(1.56)	45.40
SPDR Industrial	XLI	27 460	1 700	51.34	30.99	31.10	(0.35)	2.89	(0.83)	21.45
SPDR Technology	XLK	548 760	32 000	1 021.44	34.10	34.13	(0.09)	4.54	8.90	(36.41)
SPDR Utilities	XLU	13 120	2 000	64.28	31.83	31.75	0.25	(0.59)	(4.09)	32.23
streetTRACKS (State Street Global Advisors)										
DJ Global Titans	DGT	620	400	30.24	77.05	76.71	0.44	0.00	0.11	
DJ US Large Cap Growth	DSG	240	200	16.14	82.65	82.76	(0.13)	1.79	2.83	
DJ US Large Cap Value	DSV	260	200	24.45	123.12	123.50	(0.31)	1.00	4.56	
DJ US Small Cap Growth	ELG	5 520	400	27.98	72.89	73.08	(0.26)	3.26	(0.32)	
DJ US Small Cap Value	ELV	840	400	53.70	134.25	134.38	(0.10)	(1.03)	(1.68)	
Fortune series										
FORTUNE e-50	FEF	920	400	19.57	52.80	52.27	1.01	4.87	6.13	
FORTUNE 500	FFF	1 940	600	55.05	92.15	91.73	0.46	0.16	(0.29)	
Morgan Stanley series										
streetTRACKS MS High Tech 35	MTK	11 300	1 100	75.01	73.00	73.32	(0.44)	5.80	8.55	
streetTRACKS MS Internet	MII	1 360	250	6.44	28.05	27.32	2.67	4.59	0.63	
International Exchange-Traded Funds										
iShares iFTSE 100	ISF	125 256	12 200	£120.41	9.93	9.87	0.61			
iShares iFTSE TMT	ITMT	1 911	1 540	£18.91	12.35	12.28	0.57			
iShares iFTSE ex-UK		981		£19.07	19.11	19.07	0.21			
DJ STOXX 50 LDRS	SX5P	Data not available at press time								
DJ Euro STOXX 50 LDRS	SX5E	Data not available at press time								
DJ Canada 40		96 726	7 656	260.93	34.27	34.08	0.56	(8.78)	(4.98)	
TraHK		5 308 978	2 085 993	4 199.11	2.01	2.01	0.02	(1.53)	3.52	(5.96)

Volume shows average daily volume for the week ending Feb-16-2001 (20 days avg for DJ Canada 40 and TraHK; **Shares** shows the number of outstanding shares; **Net assets** for AMEX-traded issues are approximations; **Price** shows the closing price on Feb-16-2001. **Sources include** AMEX, Weisenberg/Thomson Financial, State Street Global Advisors, MAR research and other sources.

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