

Modernizing Emerging Market Core Portfolios

Applying Insights From “The Emerging Market Benchmark Bear Hug”*

As of June 30, 2013, 97% of the assets invested in emerging market equity exchange-traded funds (ETFs) tracked broad benchmarks.¹ These benchmarks are dominated by sectors that led many frontier countries to emerging market status, and include economies that graduated to developed market status more than 15 years ago. There is a simple solution to help investors modernize their emerging markets (EM) core. Through a blend of ETFs, investors can align their portfolios with the themes that many emerging market strategists believe will drive future EM growth.

HIGHLIGHTS:

Traditional EM benchmarks may not align with forward-looking investment views

A core EM position can be modernized through country, sector and income/volatility adjustments

A blend of ETFs can be used to target desired EM exposures

Issue: Traditional EM Investments May Lag Long-term Growth Themes

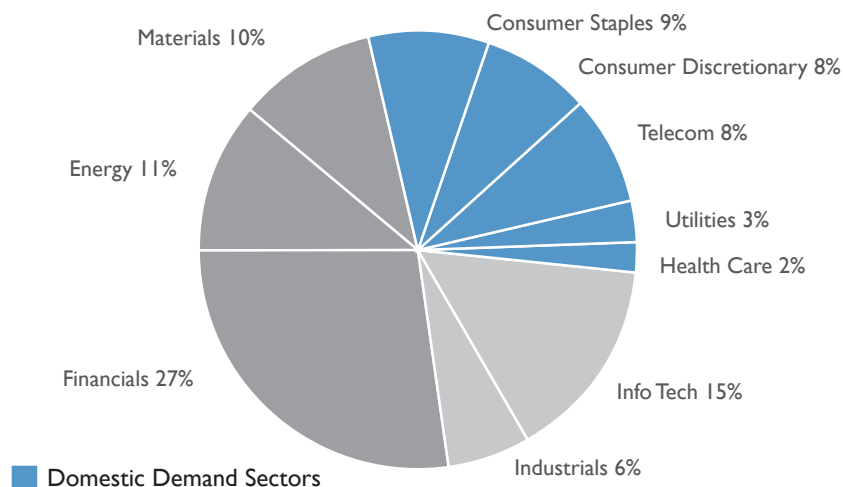
- Emerging market research is largely focused on sustainable domestic demand—organic, local growth vs. export growth—including the themes of infrastructure, urbanization and the rise of the middle class consumer. Many market observers believe these will be the drivers that advance EM countries toward developed market status.

- Domestic demand sectors such as consumer staples and consumer discretionary, utilities, telecom and health care are likely to benefit from these themes. These sectors tend to be underrepresented in traditional EM indices, and accordingly, in the investment vehicles that are benchmarked to them.
- Sectors that performed well as many countries transitioned from frontier to emerging markets dominate these

indices—a natural consequence of market cap weightings in a broad index.

- Accordingly, financials, energy and materials represent more than half of the MSCI Emerging Markets Index as well as country specific indices for Brazil, Russia, India and China.
- Some indices are also diluted by countries that graduated to developed market status in 1997. For example, South Korea and Taiwan account for more than 25% of the MSCI Emerging Markets Index.
- EM indices tend to demonstrate more volatility than developed markets indices, which may deter some investors who view these indices as a means to gain broad EM exposure.

Broad market cap weighted indices may be structurally underweight domestic demand sectors



TAKEAWAY: By relying on emerging market investments benchmarked to traditional indices, investors may find themselves underweight sectors and countries that may benefit from the next phase of EM growth.

Sources: Bloomberg data as of June 30, 2013. Weightings subject to change.

*To read more from the EGA Expert Series, including “The Emerging Market Bear Hug”, please visit www.egshares.com

¹Source: Bloomberg data for U.S. listed ETFs as of June 30, 2013.

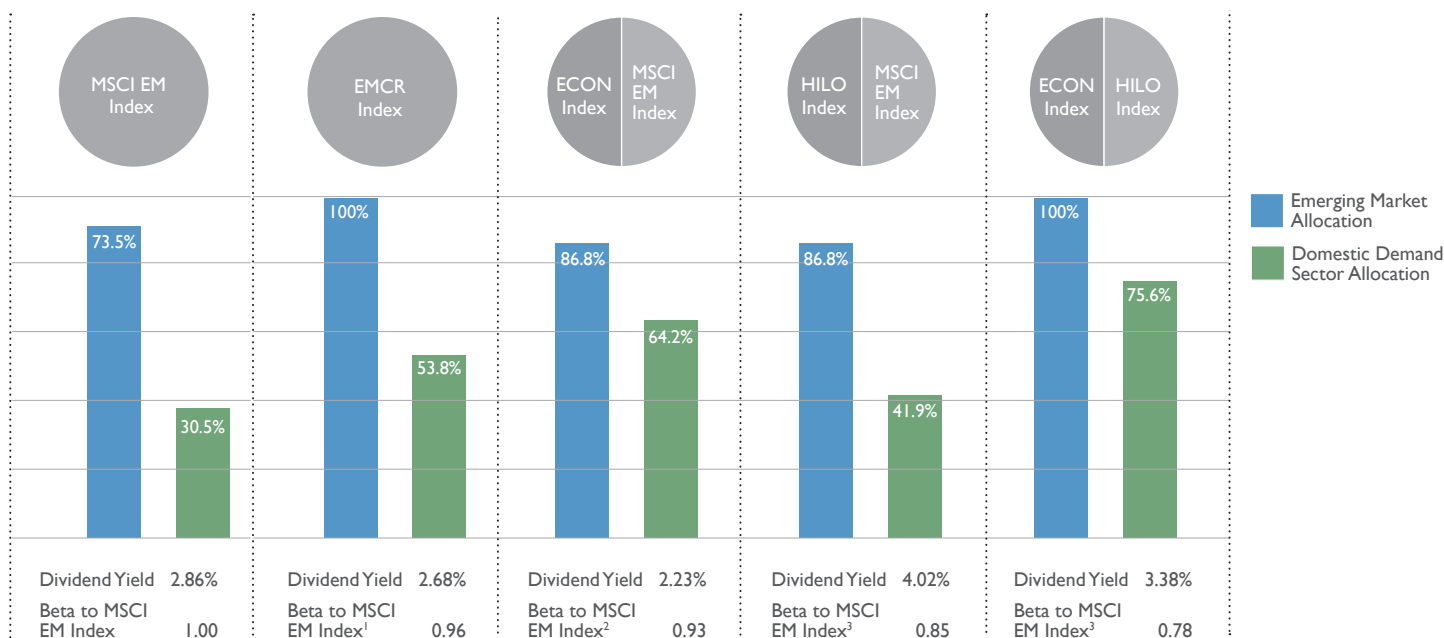
Opportunity: Modernizing core EM exposure may better align portfolios with key drivers

- Here we present three tactics to construct a modernized emerging market core portfolio:
 1. Decrease exposure to countries now classified as developed economies.
 2. Increase exposure to sectors that are more driven by domestic demand.
 3. Modify a portfolio's income characteristics and volatility profile.
- Developed market and sector exposures can be managed by using ETFs with underlying indices designed for investing, not benchmarking.
- Volatility and income characteristics can be addressed with indices that utilize beta, correlation and dividend screens.
- Wealth Managers have the opportunity to differentiate themselves by using a modernized EM core approach.

Implementation: Blend ETFs to build an EM core position with desired exposures

- To potentially decrease developed market exposure, consider using EGSshares Emerging Markets Core ETF, which tracks the S&P Emerging Markets Core Index—an index that excludes developed market holdings in South Korea and Taiwan.
- To emphasize domestic demand sectors and potentially reduce developed market exposure, consider EGSshares Emerging Markets Consumer ETF (ECON), which tracks the Dow Jones Emerging Markets Consumer Titans Index—an index that invests in the 30 leading EM consumer goods and consumer services companies.
- To potentially lower volatility, increase exposure to domestic demand sectors and decrease developed market exposure, consider EGSshares Low Volatility Emerging Markets Dividend ETF (HILO), which tracks the Indxx Low Volatility Emerging Markets Dividend Index—an index that is designed to provide higher income and lower volatility relative to the MSCI Emerging Markets Index.

Outcomes of different index combinations



Source: Bloomberg data as of June 30, 2013. Past performance does not guarantee future results. Weightings subject to change. ¹ Weekly index returns as of earliest common inception date, October 8, 2012. ² Weekly index returns as of earliest common inception date, January 8, 2010. ³ Weekly index returns as of earliest common inception date, August 4, 2011.

Country and Sector Allocation Breakdown

	MSCI EM Index	EMCR Index	ECON Index	MSCI EM Index	HILO Index	MSCI EM Index	ECON Index	HILO Index		
Top Countries	China	18.2%	South Africa	15.5%	Brazil	14.2%	South Africa	15.3%	South Africa	21.0%
	South Korea	14.6%	India	14.9%	South Africa	12.9%	China	13.1%	Mexico	13.8%
	Taiwan	11.9%	China	14.8%	China	12.3%	Turkey	9.7%	India	10.1%
	Brazil	11.3%	Brazil	9.7%	Mexico	12.2%	India	8.5%	Brazil	9.5%
	South Africa	7.2%	Russia	8.7%	India	8.4%	Malaysia	7.5%	Malaysia	8.8%
	India	6.8%	Mexico	7.8%	South Korea	7.3%	South Korea	7.3%	Turkey	8.7%
	Russia	5.8%	Chile	7.6%	Taiwan	5.9%	Mexico	7.0%	China	7.3%
Sectors	Financials	27.5%	Consumer Staples	17.8%	Consumer Staples	35.2%	Financials	21.6%	Consumer Staples	34.8%
	Info Tech	14.7%	Consumer Discretionary	17.1%	Consumer Discretionary	22.7%	Telecom	12.0%	Consumer Discretionary	26.0%
	Energy	11.4%	Financials	16.3%	Financials	13.7%	Consumer Discretionary	11.6%	Industrials	8.1%
	Materials	9.5%	Industrials	9.2%	Info Tech	7.4%	Industrials	10.2%	Telecom	8.0%
	Consumer Staples	9.4%	Energy	7.9%	Energy	5.7%	Info Tech	10.1%	Financials	7.9%
	Consumer Discretionary	8.3%	Utilities	7.0%	Materials	4.8%	Energy	10.0%	Utilities	5.4%
	Telecom	7.9%	Info Tech	6.9%	Industrials	4.2%	Consumer Staples	9.0%	Energy	4.3%
	Industrials	6.3%	Health Care	6.4%	Telecom	3.9%	Utilities	7.1%	Info Tech	2.8%
	Utilities	3.4%	Materials	5.9%	Utilities	1.7%	Materials	6.1%	Health Care	1.4%
	Health Care	1.5%	Telecom	5.6%	Health Care	0.8%	Health Care	2.2%	Materials	1.4%

Source: Bloomberg data as of June 30, 2013. Weightings subject to change.

Disclosures and Risks

Carefully consider the Funds' investment objectives, risk factors and charges and expenses before investing. This and other information can be found in the Funds' prospectuses, which may be obtained by calling + 1 888 800 4347 or by visiting the funds' website emergingglobaladvisors.com to view or download a prospectus. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal.

Emerging market investments involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, from economic or political instability in other nations or increased volatility and lower trading volume. The value of an investment

denominated in a foreign currency could change significantly as foreign currencies strengthen or weaken relative to the U.S. dollar.

Shares are not individually redeemable and owners of the shares may acquire those shares from the Funds and tender those shares for redemption to the Fund in Creation Units only, typically consisting of aggregations of 50,000 shares.

These funds are non-diversified and, as a result, may have greater volatility than diversified funds. These funds will concentrate their investments in issuers of one or more particular industries to the same extent that the underlying index. Concentration risk results from maintaining exposure to issuers conducting business in a specific industry. In certain

circumstances, these funds might not be able to dispose of certain holdings quickly or at prices that represent true market value preventing them from tracking the underlying index. As ETFs, fund shares are not individually redeemable securities. There is no assurance that an active trading market for fund shares will develop or be maintained.

Small cap and mid cap companies generally will have greater volatility in price than the stocks of large companies due to limited product lines or resources or a dependency upon a particular market niche.

One cannot invest directly in an index.

EGShares Funds ("Funds") are distributed by ALPS Distributors, Inc. ALPS and Emerging Global Advisors are unaffiliated entities.

Definitions

Dividend Yield is a financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market.

Correlation is a statistical measure of how two securities move in relation to each other.

MSCI Emerging Markets Index is an index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any claims contained herein.

Indxx Low Volatility Emerging Markets Dividend Index is a 30 stock dividend yield weighted index designed to measure the market performance of companies in emerging markets that have a high dividend yield and low beta.

Dow Jones Emerging Markets Consumer Titans 30 Index is an index that measures the stock performance of 30 leading emerging-market companies in the Consumer Goods and Consumer Services Industries as defined by the proprietary classification system used by Dow Jones Indices.

S&P Emerging Markets Core Index is a modified equally-weighted index designed to measure the market performance of up to 116 leading companies that S&P Dow Jones Indices determines to be representative of all industries domiciled in emerging market countries, used a rules-based methodology.

About Emerging Global Advisors

Emerging Global Advisors is an asset management company specializing in truer exposures to emerging market assets. Our targeted approach makes it possible for investors to use similar investment strategies in emerging markets as they do in developed markets. EGShares, our exchange-traded fund (ETF) offering, enables investors to allocate not merely to, but also within emerging markets through core holding, thematic and sector ETFs. These portfolio construction tools allow more accurate targeting of emerging market opportunities. For additional information, contact EGShares at +1 888 800 4347 or visit www.egshares.com.



EMCR Fund Objective

The EGShares Emerging Markets Core exchange-traded fund (ETF) seeks investment results that correspond to the price and yield performance of the S&P Emerging Markets Core Index.

Performance (as of 6/30/13)	1-Month	3-Month	Year-to-Date	1-Year	Since Inception (10/16/2012)
Total Returns (Net Asset Value)	-4.99%	-5.13%	-4.99%	N/A	-0.81%
Total Returns (Market Price)	-5.05%	-6.09%	-6.93%	N/A	-1.16%
S&P Emerging Markets Core Index	-4.87%	-4.49%	-4.03%	N/A	0.42%

Effective April 1, 2013, EGA replaced the Fund's fee and expense structure with a unified fee ("Unified Fee"). Under the Unified Fee, EGA pays all ordinary operating expenses of the Fund from EGA's advisory fee.

ECON Fund Objective

The EGShares Emerging Markets Consumer ETF seeks to achieve its investment objective of total return by investing in the constituent securities of the Dow Jones Emerging Markets Consumer Titans 30 Index.

Performance (as of 6/30/13)	1-Month	3-Month	Year-to-Date	1-Year	Since Inception (9/14/2010)
Total Returns (Net Asset Value)	-3.01%	-2.60%	-1.94%	12.92%	9.98%
Total Returns (Market Price)	-2.31%	-2.89%	-3.04%	12.37%	9.99%
Dow Jones Emerging Markets Consumer Titans Index	-2.81%	-2.15%	-1.38%	14.11%	11.45%

Effective April 1, 2013, EGA replaced the Fund's fee and expense structure with a unified fee ("Unified Fee"). Under the Unified Fee, EGA pays all ordinary operating expenses of the Fund from EGA's advisory fee.

HILO Fund Objective

The EGShares Low Volatility Emerging Markets Dividend exchange-traded fund (ETF) seeks investment results that correspond (before fees and expenses) to the price and yield performance of the Indxx Low Volatility Emerging Markets Dividend Index.

Performance (as of 6/30/13)	1-Month	3-Month	Year-to-Date	1-Year	Since Inception (8/4/2011)
Total Returns (Net Asset Value)	-3.88%	-6.94%	-7.41%	4.81%	-0.38%
Total Returns (Market Price)	-3.71%	-8.01%	-9.02%	3.50%	-0.71%
Indxx Low Volatility Emerging Markets Dividend Index	-3.86%	-6.50%	-6.58%	6.19%	1.13%

Effective April 1, 2013, EGA replaced the Fund's fee and expense structure with a unified fee ("Unified Fee"). Under the Unified Fee, EGA pays all ordinary operating expenses of the Fund from EGA's advisory fee.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance data may be higher or lower than actual data quoted. For the most current month-end performance data please call +1 888 800 4347.