

January 29, 2010



## CBSX Trader News Update

### CBSX to Add New Stocks for Trading

TO: Members

SUBJECT: Grail Advisors ETF Trust

Compliance and supervisory personnel should note that, among other things, this Information Bulletin discusses the need to deliver a prospectus to customers purchasing shares ("Shares") of the four (4) exchange-traded funds ("Funds") listed below issued by Grail Advisors. Please forward this Information Bulletin to other interested persons within your organization.

The following securities have been approved for trading on CBSX:

<u>Exchange-Traded Funds</u>	<u>Symbol</u>
Grail Advisors RP Growth ETF	RPX
Grail Advisors RP Focused Large Cap Growth ETF	RWG
Grail Advisors RP Technology ETF	RPO
Grail Advisors RP Financials ETF	RFF

### **Background Information on the Fund**

The Grail Advisors ETF Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Trust consists of several exchange-traded funds (each, a "Fund" and collectively, the "Funds"). This circular refers only to the Funds listed above. The shares of each of the Funds listed above are referred to herein as "Shares." Grail Advisors, LLC (the "Adviser" or "Manager") serves as the investment adviser for the Funds. RiverPark Advisors, LLC ("RP") serves as the primary sub-adviser and Wedgewood Partners, Inc. ("Wedgewood") serves as

sub-adviser to RP Focused Large Cap Growth ETF. RP serves as the exclusive sub-adviser of the RP Growth, RP Technology and RP Financials ETFs.

Each Fund is an “exchange traded fund.” The Funds are actively managed Funds. The Funds are not index funds and thus do not seek to replicate the performance of a specified index. The Funds are designed for investors who seek exposure to a relatively low-cost actively managed portfolio of equity securities.

RP Growth ETF seeks long-term capital appreciation by investing at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity securities of companies that RP, the ETF's sub-adviser, believes have above-average growth prospects. RP uses a fundamental research driven approach to identifying those industries and companies with the strongest growth prospects for revenue, earnings and/or cash flow over the medium and long term and seeks to buy stock in those companies at attractive valuations. The Fund may invest in companies of any market capitalization and in any industry. The Fund expects to invest primarily in the securities of US companies, and may also invest in US securities tied economically to foreign investments, such as American Depositary Receipts.

The Fund invests in industries that RP believes are the beneficiaries of long-term secular changes in the global economy and companies within those industries that are gaining market share and have, what RP believes to be, long-term sustainable competitive advantages and positions protected by strong barriers to entry. RP seeks companies with latent pricing power, expanding free cash flow and a high return on invested capital. RP also looks for companies with strong and experienced management teams with clear business objectives. RP believes it can gain an investment advantage not only through its primary research and by developing conviction in business models, but also because it invests with a long-term time horizon.

RP Focused Large Cap Growth ETF seeks long-term capital appreciation by investing at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity securities of large capitalization companies that Wedgwood, the ETF's sub-adviser, believes have above-average growth prospects. The Fund considers companies with market capitalizations in excess of \$5 billion to be large capitalization companies. The Fund is non-diversified and expects to invest in a limited number of companies, generally holding securities of between 20 and 30 companies. The Fund expects to invest primarily in the securities of US companies, and may also invest in US securities tied economically to foreign investments, such as American Depositary Receipts. Wedgwood seeks investments in market leaders with dominant products or services that are irreplaceable or lack substitutes in today's economy.

Wedgewood invests for the long term, and expects to hold securities, in many cases, for more than 5 years.

RP Technology ETF seeks long-term capital appreciation by investing at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity securities of companies that develop, produce or distribute technology-related products and services. The Fund will invest in companies both within and outside the technology sector (the technology sector is narrower than what RP, as the ETF's sub-advisor, considers to be technology-related businesses) and the Fund will invest in companies whose value, in RP's view, derive from embracing technological innovation. These companies are not limited to the technology industry, and may include companies in sectors such as industrial and business machines; communications; computer hardware and software; computer services and peripheral products; electronics; electronic media; internet; television and video equipment and services; satellite technology and equipment; and semiconductors.

RP uses a fundamental research driven approach to identify technology-oriented companies that are suitable for the portfolio, and seeks to buy stock in those companies at attractive valuations. The Fund will primarily invest in companies with mid- to large- market capitalizations, but may invest in companies of any market capitalization. The Fund considers companies with market capitalizations of between \$2 billion and \$150 billion to be mid- to large-capitalization companies. The Fund expects to invest primarily in the securities of US companies, and may also invest in US securities tied economically to foreign investments, such as American Depositary Receipts.

RP Financials ETF seeks long-term capital appreciation by investing at least 80% of its net assets (plus the amount of any borrowings for investment purposes) in equity securities of financial services companies. The Fund considers financial services companies to be those companies that derive a significant portion of their revenues from any aspect of the financial services industry, including, but not limited to, banking, lending, brokerage, exchanges, insurance, and money management, as well as real estate investment trusts.

RP, the ETF's sub-adviser, uses a fundamental research driven approach to identify financial services companies that are suitable for the portfolio, and seeks to buy stock in those companies at attractive valuations. The Fund will primarily invest in companies with mid- to large- market capitalizations. The Fund considers companies with market capitalizations of between \$2 billion and \$150 billion to be mid- to large-capitalization companies. The Fund expects to invest primarily in the securities of US companies, and may also invest in US securities tied economically to foreign investments, such as American Depositary Receipts.

For more information regarding each Fund's investment strategy, please read the prospectus for the Funds.

As described more fully in the Trust's prospectus and Statement of Additional Information ("SAI"), the Funds issue and redeem Shares at net asset value ("NAV") only in large blocks of 50,000 Shares (each block of Shares called a "Creation Unit") or multiples thereof. As a practical matter, only broker-dealers or large institutional investors with creation and redemption agreements (called Authorized Participants) can purchase or redeem these Creation Units. Except when aggregated in Creation Units, the Shares may not be redeemed with the Funds.

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

Shares are held in book-entry form, which means that no Share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares of the Funds and is recognized as the owner of all Shares for all purposes.

The NAV per Share for each Fund is computed by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of Shares outstanding. Expenses and fees are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined each business day after the close of trading (ordinarily 4:00 p.m., Eastern Time or "ET") of the New York Stock Exchange. Any assets or liabilities denominated in currencies other than the U.S. dollar are converted into U.S. dollars at the current market rates on the date of valuation as quoted by one or more sources.

The registration statement for the Funds describes the various fees and expenses for the Funds' Shares. For a more complete description of the Funds and the underlying indexes, visit the Funds' website at [www.grailadvisors.com](http://www.grailadvisors.com).

### **Dissemination of Fund Data**

The Consolidated Tape Association will disseminate real time trade and quote information for the Funds to Tape B.

### **Purchases and Redemptions in Creation Unit Size**

Exchange members are hereby informed that procedures for purchases and redemptions of Shares in Creation Unit Size are described in the Trust's

prospectus and SAI, and that Shares are not individually redeemable but are redeemable only in Creation Unit Size aggregations or multiples thereof.

### **Exchange Rules Applicable to Trading the Shares**

The Shares are considered equity securities, thus rendering trading in the Shares subject to the Exchange's existing rules governing the trading of equity securities.

### **Principal Risks**

Interested persons are referred to the discussion in the prospectus for the Funds of the principal risks of an investment in the Funds. These include tracking error risk (factors causing a Fund's performance to not match the performance of its underlying index), market trading risk (for example, trading halts, trading above or below net asset value), investment style risk, sector risk, investment approach risk, non-diversification risk, issuer-specific risk, management risk, foreign securities risk and securities lending risk.

### **Trading Hours**

The values of any security underlying the Shares are disseminated to data vendors every 15 seconds. The Shares will trade on the CBSX from 8:00 a.m. CT until 3:00 p.m. CT. The trading increment for the Fund's Shares will be \$0.01.

### **Extended Hours Trading**

Members are reminded that trading in the Fund's Shares prior to 8:30 a.m. may result in additional trading risks which include: (1) that the current underlying index value may not be updated, (2) the intraday indicative value may not be updated, (3) lower liquidity may impact pricing, (4) higher volatility may impact pricing, (5) wider spreads may occur, and (6), since the intraday indicative value is not calculated or widely disseminated, an investor who is unable calculate an implied value for an ETF in those sessions may be at a disadvantage to market professionals.

### **Trading Halts**

The Exchange will halt trading in the Shares based on Rule 52.3 and/or because dissemination of the intraday indicative value of the Shares and/or the underlying value of the index has ceased.

## **Suitability**

Members are reminded of their obligation under Rule 53.6 whereby the Member shall use due diligence to learn the essential facts relative to every customer prior to trading the Shares or recommending a transaction in the Shares that an investment in the Shares is suitable for the customer. Members should adopt appropriate procedures for the opening and maintaining of accounts, including the maintaining of records prescribed by any applicable regulatory organization and by the rules and regulations of the Commission.

## **Delivery of a Prospectus**

Consistent with the requirements of the Securities Act and the rules thereunder, investors purchasing Shares in the initial public offering and anyone purchasing Shares directly from a Fund (by delivery of the designated securities) must receive a Prospectus. In addition, Members are required to deliver a Prospectus to all purchasers of newly-issued Shares (i.e. during the initial public offering). Members purchasing shares from a Fund for resale to investors will deliver a Prospectus to such investors.

Prospectuses may be obtained through the Fund's website. The Prospectus does not contain all of the information set forth in the Registration Statement (including the exhibits to the Registration Statement), parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information about a Fund, please refer to the Registration Statement.

In the event that a Fund relies upon an order by the Commission exempting the Shares from certain Prospectus delivery requirements under Section 24(d) of the 1940 Act and makes available a written product description, the Exchange requires that Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Trust, no later than the time a confirmation of the first transaction in the Shares, is delivered to such purchaser. In addition, ETP Holders shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by a Member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of Shares of the Fund has been prepared by the Trust and is available from your broker. It is recommended that you obtain and review such circular before purchasing Shares of the Fund. In addition, upon request you may obtain from your broker a prospectus for Shares of the Fund."

An Member carrying an omnibus account for a non-Member is required to inform such non-Member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-Member to make such written description available to its customers on the same terms as are directly applicable to Members under this rule.

Upon request of a customer, Members shall also provide a copy of the Prospectus.

This Information Bulletin is not a statutory Prospectus. Members should consult the Trust's Registration Statement, SAI, Prospectus and the Fund's website for relevant information.

Inquiries regarding this Information Bulletin should be directed to David Reed, 866.458.2279.

