



IQ 500 International Index

METHODOLOGY

Contents

Introduction.....	2
Index Objective.....	2
Eligibility Requirements.....	2
Index Universe.....	2
Selection Criteria.....	3
Index Construction.....	3
Weighting.....	3
Concentration Limitations.....	4
Index Shares.....	4
Index Maintenance.....	4
Reconstitution.....	4
Rebalance.....	4
Corporate Events and Index Policy.....	4
Index Calculation.....	5
Index Level.....	5
Return Series.....	5
Currency.....	5
Base Dates and History Availability.....	5
Ticker.....	5
Contact Information.....	6
APPENDIX 1: Amendment History.....	7
Amendment History.....	7
APPENDIX 2: Disclaimers.....	8
Disclaimers.....	8

Introduction

This document sets forth the methodology for the IQ 500 International Index (the “Index”). Capitalized terms are defined herein. For additional information, refer to the IndexIQ Events Guide.

Index Objective

The IQ 500 International Index identifies international companies that enjoy a strong global footprint and, at the same time, are able to maintain their long-term competitive positioning.

The combination of these factors results in companies that are poised to continue driving improved operational performance and sustainable, long-term equity appreciation with low volatility and turnover.

Eligibility Requirements

Index Universe

All Index components are domiciled in a developed market outside of the United States, as defined by data available through FactSet Research Systems (“FactSet”) or any other third-party data provider.

The Index is comprised of common stock only and excludes American Depositary Receipts (ADRs), preferred stock, limited partnerships, master limited partnerships (MLPs), real estate investment trusts (REITs), investment companies, and trusts.

The components of the Index are listed for trading on an exchange in and are domiciled in one of the following countries:

Country ¹			
Australia	Austria	Belgium	Canada
Denmark	Finland	France	Germany
Hong Kong	Ireland	Israel	Italy
Japan	Netherlands	New Zealand	Norway
Portugal	Singapore	Spain	Sweden
Switzerland	United Kingdom	Luxembourg	

At the time of the Reconstitution (defined below), an Index component must have:

- a minimum 52-week average daily trading volume of \$5 million and 100,000 shares.

¹ As provided by Factset. Country of domicile may refer to country of headquarters, country of largest revenue, and/or reporting currency.

- been publicly traded on an exchange for at least the immediately prior two calendar quarters
- a minimum market capitalization of \$1 billion
- a minimum average market capitalization for the immediately prior 60 trading days of \$1 billion.

For each of the two months immediately prior to the Reconstitution, no more than 20% of the Index’s components may have average daily trading volume less than \$1 million or average public float value less than \$150 million.

Selection Criteria

The components of the Index are selected using a methodology developed and maintained by IndexIQ that ranks eligible index components based on three different fundamental factors (the “Composite Score”).

- The Composite Score is the arithmetic average of three single-factor ranks (each a “Factor”) available as of the Reconstitution:
 - Annual Sales Rank²
 - Market Share Rank³
 - 3-Year Average Operating Margin Rank⁴
- Each single-factor is ranked within the eligible Universe according to its value, with higher values receiving a higher rank.

Index Construction

As of the Reconstitution, the Index will select the top 500 components with the highest Composite Score.

Weighting

Index component weights are derived from the Composite Rank. The pro-rata percentage of each Composite Rank relative to the sum of the Composite Ranks of the 500 selected securities represents the weight of the component with higher ranking companies receiving higher weights within the index.

² The “Annual Sales Rank” is determined relative to other eligible Universe securities at the time of Reconstitution based on annual sales data provided by FactSet. See Appendix 2.

³ “Market Share” is the pro-rata percentage of a company’s annual sales relative to other eligible Universe securities within the same economic sector, as provided by FactSet, at the time of Reconstitution. See Appendix 2.

⁴ “3-Year Average Operating Margin Rank” is relative to other eligible Universe securities within the same economic sector, as provided by FactSet, at the time of the Reconstitution. See Appendix 2.

Concentration Limitations

At the time of the Reconstitution, no single component of the Index may have a weighting greater than 5% of the Index. To the extent one or more components would exceed this limitation at the time of the Reconstitution, the 5% weight cap is applied, and the excess weight is allocated proportionately among the other Index components.

Index Shares

Shares held within the index are derived from a notional value, the weight as determined above, and component prices as of the Reconstitution.

Index Maintenance

Reconstitution

The Index is reconstituted once a year (the “Reconstitution”) and the Index is adjusted intra-year only in connection with certain corporate actions (as described below), in the event the concentration limitations described above are triggered, or as otherwise provided by this methodology.

The Reconstitution occurs on the last Friday in March and becomes effective at the close of the first Friday of May.

Rebalance

At the end of each quarter following the Reconstitution (a “Rebalance”), no single component of the Index may have a weighting greater than 5% of the Index. To the extent one or more components would exceed this limitation at the time of a Rebalance, the 5% weight cap is applied, and the excess weight is allocated proportionately among the other Index components.

The Rebalance occurs on the last Friday of June, September, and December for effect at the open of the Monday after the following Friday. The Rebalance occurs only if necessary to correct any violations of the Annual Reconstitution criteria which includes, but is not limited to, exceeding the Concentration Limitations.

Corporate Events and Index Policy

Refer to the IndexIQ Events Guide.

Index Calculation

Index Level

The following general formula is used to calculate the Index Level:

$$\frac{\sum_{i=1}^n (P_i \times \text{Shares}_i)}{D}$$

P_i = Price of security i

Shares_i = Notional Shares of security i

D = Divisor

Return Series

The Index return series is based on the treatment of cash dividends, stock dividends, and spin-offs (collectively determined as a “Distribution”).

- Price Return (PR) versions are calculated without adjustments for Distributions.
- Net Total Return (NTR) versions reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of both indices will be identical.

Currency

The Index is calculated in U.S. Dollars.

Base Dates and History Availability

Index	Index Live Date	Return Type	First Live Index Value	Base Date	Base Value
IQ 500 International Index	December 31, 2007	Price Return Net Total Return	2359.43 2,977.34	March 30, 1998	1000

Ticker

Index levels are available through major quote vendors, numerous investment-oriented websites, and various print and electronic media. IndexIQ LLC's website also provides an archive of recent index announcements.

Index	Return Type	Bloomberg
IQ 500 International Index	Price Return Net Total Return	IQ500IP IQ500I

Contact Information

For questions regarding the Index, please contact: (888) 474-7725 or index@indexiq.com.

APPENDIX 1: Amendment History

Amendment History

Effective Date	Change
December 31, 2019	Effective date for new rule book template
December 10, 2018	IndexIQ LLC updated the Reconstitution and Rebalance Timeline. The Reconstitution Effective Date has changed from the first Friday of April to the first Friday of May and the Quarterly Rebalance has updated accordingly.
October 29, 2018	IndexIQ LLC updated the list of eligible countries, updated the format of the document, and added additional provisions regarding index calculation, maintenance, governance and policies.
July 1, 2017	IndexIQ LLC revised the treatment of dividends under the methodology for the calculation of the total return Indexes. Previously, the total return Indexes assume the reinvestment of gross dividend payments by Index Components. Effective following the market close on June 30, 2017, the Index methodology for the calculation of the total return Indexes assume the reinvestment of dividends payments by Index Components net of any applicable foreign withholding taxes.
January 17, 2017	IndexIQ LLC revised its treatment of Spin-Offs from index components. The previous treatment is to not retain company spin-offs within the index. The revised treatment allows company spin-offs to remain within the index provided the spun-off company meets the eligibility requirements and selection criteria for inclusion in the index and is consistent with the objective of the index.

APPENDIX 2: Disclaimers

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