

**INDEXIQ ETF TRUST**  
**IQ U.S. Large Cap ETF**  
**IQ U.S. Mid Cap R&D Leaders ETF**  
**IQ Global Resources ETF**  
**IQ Real Return ETF**  
**and**

**INDEXIQ ACTIVE ETF TRUST**  
**IQ MacKay Multi-Sector Income ETF**

**(each, a “Fund” and collectively, the “Funds”)**

Supplement dated October 19, 2023 (“Supplement”)  
to each Fund’s Summary Prospectus, Prospectus, and Statement of Additional Information,  
each dated August 31, 2023, as supplemented

**Notice of Liquidation of the Funds**

The Boards of Trustees of IndexIQ ETF Trust and IndexIQ Active ETF Trust (collectively, the “Trusts”), as applicable, have approved the liquidation and dissolution of the Funds on or about December 19, 2023 (the “Liquidation Date”). In connection with the liquidation and dissolution of each Fund, a Fund may depart from its stated investment objective as it winds up its operations and liquidates its portfolio.

December 12, 2023, is expected to be the last day shares of each Fund will be traded on the national securities exchange identified in the Fund’s Prospectus (the “Exchange”), and the last day that the shares of each Fund will trade in the secondary market at market prices. Shareholders may sell their holdings prior to the market close on December 12, 2023, and may incur customary transaction fees from their broker-dealer. After market close on December 12, 2023, shareholders will not be able to transact in Fund shares in the secondary market at market prices. Shareholders should be aware that after December 12, 2023, each Fund will no longer engage in any business activities, except for the purposes of selling and converting into cash all of the assets of the Fund. During this period, each Fund may hold cash and securities that may not be consistent with the Fund’s investment objective and principal investment strategy. A Fund that seeks to track the performance of an index may incur higher tracking error than is typical for the Fund. After the close of business on December 12, 2023, each Fund will no longer accept creation or redemption orders from Authorized Participants (as defined in the Fund’s Prospectus and Statement of Additional Information).

On the Liquidation Date, any remaining shareholders of record of a Fund will receive cash equal to the net asset value of their shares as of that date after the Fund has paid or provided for all of its charges, taxes, expenses and liabilities (the “Liquidating Distribution”). Such Liquidating Distribution received by a shareholder of record may be in an amount that is greater or less than the amount a shareholder might receive if they sell their shares prior to market close on December 12, 2023. Additionally, a Fund must declare and distribute to shareholders any realized capital gains and all net investment income. These dates may be changed without notice at the discretion of the applicable Trust’s officers.

For taxable shareholders holding shares in a non-tax advantaged account, the automatic redemption of shares of a Fund on the Liquidation Date will generally be treated as a sale that may result in a gain or loss for federal income tax purposes. In addition, shareholders who hold shares of a Fund may receive a final distribution of net income and capital gains earned by a Fund and not previously distributed prior to liquidation. Shareholders should consult their tax advisers regarding the tax treatment of the liquidation.

**If you would like additional information, including information about other IndexIQ ETFs, please call (888) 474-7725 or visit [newyorklifeinvestments.com/etf](http://newyorklifeinvestments.com/etf).**

*Investors Should Retain This Supplement for Future Reference*

## INDEXIQ ETF TRUST

IQ Hedge Multi-Strategy Tracker ETF  
 IQ Merger Arbitrage ETF  
 IQ 500 International ETF  
 IQ Candriam International Equity ETF  
 IQ Candriam U.S. Mid Cap Equity ETF  
 IQ Candriam U.S. Large Cap Equity ETF  
 IQ U.S. Large Cap ETF  
 IQ U.S. Small Cap ETF  
 IQ CBRE NextGen Real Estate ETF  
 IQ FTSE International Equity Currency Neutral ETF

IQ U.S. Mid Cap R&D Leaders ETF  
 IQ U.S. Large Cap R&D Leaders ETF  
 IQ Global Equity R&D Leaders ETF  
 IQ Global Resources ETF  
 IQ Real Return ETF  
 IQ Clean Oceans ETF  
 IQ Cleaner Transport ETF  
 IQ Engender Equality ETF  
 IQ Healthy Hearts ETF

(the “Funds”)

Supplement dated October 2, 2023 (“Supplement”) to the Funds’  
 Statement of Additional Information (“SAI”), dated August 31, 2023

*Capitalized terms and certain other terms used in this Supplement, unless otherwise defined in this Supplement, have the same meanings assigned to them in the SAI.*

Effective immediately:

- Francis J. Ok will join Greg Barrato as a portfolio manager of the Funds. James Harrison will no longer serve as a portfolio manager of the Funds. All references to Mr. Harrison are deleted in their entirety.
- In the section entitled “**Management Services**”, the second paragraph of the subsection entitled “**Portfolio Managers**” is deleted in its entirety and replaced with the following:

The portfolio managers who are currently jointly and primarily responsible for the day-to-day management of the Funds’ portfolios are Greg Barrato and Francis J. Ok.

- In the section entitled “**Management Services**”, the following paragraph is added at the end of the subsection entitled “**Portfolio Managers**”:

Francis J. Ok is a Managing Director at IndexIQ Advisors LLC and has been with the firm or its predecessors since 1994. Mr. Ok holds a BS in Economics from Northeastern University.

- In the section entitled “**Management Services**”, the table in the subsection entitled “**Other Accounts Managed**” is amended to add the following:

	NUMBER OF OTHER ACCOUNTS MANAGED AND ASSETS BY ACCOUNT TYPE			NUMBER OF ACCOUNTS AND ASSETS FOR WHICH THE ADVISORY FEE IS BASED ON PERFORMANCE		
	Registered Investment Company (\$mm)	Other Pooled Investment Vehicles (\$mm)	Other Accounts (\$mm)	Registered Investment Company (\$mm)	Other Pooled Investment Vehicles (\$mm)	Other Accounts (\$mm)
<b>Portfolio Manager</b>						
Francis J. Ok*	2/\$4,613	0/\$0	4/\$687	0/\$0	0/\$0	0/\$0

\* The information presented for Mr. Ok is as of September 22, 2023.

- In the section entitled “**Management Services**”, the first sentence of the subsection entitled “**Ownership of Securities**” is deleted in its entirety and replaced with the following:

As of April 30, 2023, Mr. Barrato did not own Shares of the Funds. As of September 22, 2023, Mr. Ok did not own Shares of the Funds.

**PLEASE RETAIN THIS SUPPLEMENT FOR YOUR FUTURE REFERENCE.**

ME15s-10/23

## STATEMENT OF ADDITIONAL INFORMATION

### INDEXIQ ETF TRUST

51 MADISON AVENUE  
NEW YORK, NEW YORK 10010

PHONE: (888) 474-7725

AUGUST 31, 2023

This Statement of Additional Information (this “SAI”) is not a prospectus. It should be read in conjunction with and is incorporated by reference into the prospectuses dated August 31, 2023, as they may be revised from time to time (the “Prospectuses”) for the funds listed below (each, a “Fund” and collectively, the “Funds”), each a series of the IndexIQ ETF Trust (the “Trust”).

#### Fund Name

IQ Hedge Multi-Strategy Tracker ETF (QAI)	IQ U.S. Mid Cap R&D Leaders ETF (MRND)
IQ Merger Arbitrage ETF (MNA)	IQ U.S. Large Cap R&D Leaders ETF (LRND)
IQ 500 International ETF (IQIN)	IQ Global Equity R&D Leaders ETF (WRND)
IQ Candriam International Equity ETF (IQSI) (formerly, IQ Candriam ESG International Equity ETF)	IQ Global Resources ETF (GRES)
IQ Candriam U.S. Mid Cap Equity ETF (IQSM) (formerly, IQ Candriam ESG U.S. Mid Cap Equity ETF)	IQ Real Return ETF (CPI)
IQ Candriam U.S. Large Cap Equity ETF (IQSU) (formerly, IQ Candriam ESG U.S. Large Cap Equity ETF)	IQ Clean Oceans ETF (OCEN)
IQ U.S. Large Cap ETF (CLRG) (formerly, IQ Chaikin U.S. Large Cap ETF)	IQ Cleaner Transport ETF (CLNR)
IQ U.S. Small Cap ETF (CSML) (formerly, IQ Chaikin U.S. Small Cap ETF)	IQ Engender Equality ETF (EQL)
IQ CBRE NextGen Real Estate ETF (ROOF)	IQ Healthy Hearts ETF (HART)
IQ FTSE International Equity Currency Neutral ETF (HFXI)	

The Prospectuses and the Funds’ Annual Reports or Semi-Annual Reports may be obtained without charge by writing to the Trust, c/o ALPS Distributors, Inc., 1290 Broadway, Suite 1000, Denver, Colorado 80203, by calling (888) 474-7725, or by visiting the Trust’s website at [newyorklifeinvestments.com/etf](http://newyorklifeinvestments.com/etf). Shares of the Funds are principally listed on a national securities exchange, The NASDAQ Stock Market LLC (“Nasdaq”) or the NYSE Arca, Inc. (“NYSE Arca”) (each, an “Exchange”).

Capitalized terms used but not defined herein have the same meaning as in the Prospectuses, unless otherwise noted.

No person has been authorized to give any information or to make any representations other than those contained in this SAI and the Prospectuses and, if given or made, such information or representations may not be relied upon as having been authorized by the Trust. The SAI does not constitute an offer to sell securities.

## **TABLE OF CONTENTS**

<a href="#"><u>GENERAL DESCRIPTION OF THE TRUST AND THE FUNDS</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>EXCHANGE LISTING AND TRADING</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>INVESTMENT OBJECTIVES AND POLICIES</u></a>	<a href="#"><u>4</u></a>
<a href="#"><u>INVESTMENT STRATEGIES AND RISKS</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>MANAGEMENT</u></a>	<a href="#"><u>17</u></a>
<a href="#"><u>PROXY VOTING POLICIES</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>MANAGEMENT SERVICES</u></a>	<a href="#"><u>27</u></a>
<a href="#"><u>OTHER SERVICE PROVIDERS</u></a>	<a href="#"><u>31</u></a>
<a href="#"><u>PORTFOLIO TRANSACTIONS AND BROKERAGE</u></a>	<a href="#"><u>42</u></a>
<a href="#"><u>DISCLOSURE OF PORTFOLIO HOLDINGS</u></a>	<a href="#"><u>43</u></a>
<a href="#"><u>ADDITIONAL INFORMATION CONCERNING SHARES</u></a>	<a href="#"><u>44</u></a>
<a href="#"><u>PURCHASE AND REDEMPTION OF CREATION UNITS</u></a>	<a href="#"><u>45</u></a>
<a href="#"><u>CONTINUOUS OFFERING</u></a>	<a href="#"><u>47</u></a>
<a href="#"><u>DETERMINATION OF NET ASSET VALUE</u></a>	<a href="#"><u>48</u></a>
<a href="#"><u>DIVIDENDS AND DISTRIBUTIONS</u></a>	<a href="#"><u>48</u></a>
<a href="#"><u>U.S. FEDERAL INCOME TAXATION</u></a>	<a href="#"><u>49</u></a>
<a href="#"><u>OTHER INFORMATION</u></a>	<a href="#"><u>57</u></a>
<a href="#"><u>FINANCIAL STATEMENTS</u></a>	<a href="#"><u>57</u></a>
<a href="#"><u>APPENDIX A</u></a>	<a href="#"><u>58</u></a>

## **GENERAL DESCRIPTION OF THE TRUST AND THE FUNDS**

The Trust was organized as a Delaware statutory trust on July 1, 2008 and is authorized to have multiple segregated series or portfolios. The Trust is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust currently consists of a number of separate investment portfolios, of which 19 are in operation. Other portfolios may be added to the Trust in the future. The shares of the Funds are referred to herein as “Shares.” The offering of Shares is registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds are managed by IndexIQ Advisors LLC (the “Advisor”). The Advisor has been registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) since August 2007 and is a wholly-owned indirect subsidiary of New York Life Insurance Company.

ETFs, such as the Funds, do not sell or redeem individual shares of a Fund. Instead, financial entities known as “Authorized Participants” (which are discussed in greater detail below) have contractual arrangements with each Fund or the Distributor to purchase and redeem Fund Shares directly with a Fund in large blocks of Shares known as “Creation Units.” An Authorized Participant that purchases a Creation Unit of Fund Shares deposits with a Fund a “basket” of securities (“Deposit Securities”), cash (“Cash Component”) and/or other assets identified by the Fund that day, and then receives the Creation Unit of Fund Shares in return for those assets. The redemption process is the reverse of the purchase process: the Authorized Participant redeems a Creation Unit of Fund Shares for a basket of securities, cash and/or other assets. The basket is generally representative of a Fund’s portfolio, and together with a cash balancing amount, it is equal to the net asset value (“NAV”) of the Fund Shares comprising the Creation Unit. Pursuant to Rule 6c-11 of the 1940 Act, the Funds may utilize baskets that are not representative of each Fund’s portfolio.

If a Fund presently creates and redeems Shares in-kind, the Trust reserves the right to offer a “cash” option for creations and redemptions of Shares.

The Trust’s Amended and Restated Declaration of Trust (the “Declaration”) provides that by virtue of becoming a shareholder of the Trust, each shareholder is bound by the provisions of the Declaration. The Declaration provides a detailed process for the bringing of derivative actions by shareholders. Prior to bringing a derivative action, a written demand by the complaining shareholder must first be made on the Board of Trustees of the Trust (the “Trustees” or the “Board”). The Declaration details conditions that must be met with respect to the demand, including the requirement that 10% of the outstanding Shares of the Fund who are eligible to bring such derivative action under the Delaware Statutory Trust Act join in the demand for the Trustees to commence such derivative action. There may be questions regarding the enforceability of this provision based on certain interpretations of the Securities Act of 1933 Act, as amended (the “1933 Act”), the Securities Exchange Act of 1934, as amended (the “1934 Act”) and the 1940 Act.

Additionally, the Declaration provides that the Court of Chancery of the State of Delaware, to the extent there is subject matter jurisdiction in such court for the claims asserted or, if not, then in the Superior Court of the State of Delaware shall be the exclusive forum in which certain types of litigation may be brought, which may require shareholders to have to bring an action in an inconvenient or less favorable forum. There may be questions regarding the enforceability of this provision because the 1933 Act, the 1934 Act and the 1940 Act allow claims to be brought in state and federal courts. The Declaration provides that shareholders waive any and all right to trial by jury in any claim, suit, action or proceeding.

## **EXCHANGE LISTING AND TRADING**

There can be no assurance that a Fund will be able to maintain the listing of its Shares on Nasdaq, NYSE Arca or a national securities exchange (an “Exchange”). Each Exchange will consider the suspension of trading and delisting of the Shares of a Fund from listing if (i) a Fund or an Underlying Index does not comply with the Exchange’s continuous listing requirements; or (ii) such other event shall occur or condition exist that, in the opinion of the applicable Exchange, makes further trading on the applicable Exchange inadvisable. Each Exchange will remove the Shares of a Fund from listing and trading upon termination of such Fund.

As in the case of other stocks traded on an Exchange, brokers’ commissions on transactions will be based on commission rates negotiated by an investor and his or her broker.

The Trust reserves the right to adjust the price levels of the Shares in the future to maintain convenient trading ranges for investors. Any adjustments would be accomplished through stock splits or reverse stock splits, which would have no effect on the net assets of each Fund.

## **INVESTMENT OBJECTIVES AND POLICIES**

### **Investment Objectives**

Each Fund has a distinct investment objective and policies. There can be no assurance that a Fund's objective will be achieved. The investment objective of each Fund is to provide investment results that correspond generally to the price and yield (before the Fund's fees and expenses) of a particular Underlying Index.

All investment objectives and investment policies not specifically designated as fundamental may be changed without shareholder approval. Additional information about each Fund, its policies, and the investment instruments it may hold, is provided below.

The Funds' share prices will fluctuate with market and economic conditions. The Funds should not be relied upon as a complete investment program.

IndexIQ LLC serves as the index provider to each Fund (except the IQ Real Return ETF, IQ FTSE International Equity Currency Neutral ETF, IQ U.S. Large Cap ETF, IQ U.S. Small Cap ETF and IQ Engender Equality ETF) and uses a proprietary rules-based methodology (the "Index Methodology") to construct and maintain the Underlying Index of each such Fund.

### **Diversification Status**

Each Fund's diversification status for purposes of the 1940 Act is set forth below:

<b>Fund</b>	<b>Diversification Status</b>
IQ Hedge Multi-Strategy Tracker ETF	Diversified
IQ 500 International ETF	Diversified
IQ Candriam International Equity ETF	Diversified
IQ Candriam U.S. Mid Cap Equity ETF	Diversified
IQ Candriam U.S. Large Cap Equity ETF	Diversified
IQ U.S. Large Cap ETF	Diversified
IQ U.S. Small Cap ETF	Diversified
IQ CBRE NextGen Real Estate ETF	Diversified
IQ FTSE International Equity Currency Neutral ETF	Diversified
IQ Real Return ETF	Diversified
IQ Merger Arbitrage ETF	Non-Diversified
IQ U.S. Mid Cap R&D Leaders ETF	Non-Diversified
IQ U.S. Large Cap R&D Leaders ETF	Non-Diversified
IQ Global Equity R&D Leaders ETF	Non-Diversified
IQ Global Resources ETF	Non-Diversified
IQ Clean Oceans ETF	Non-Diversified
IQ Cleaner Transport ETF	Non-Diversified
IQ Engender Equality ETF	Non-Diversified
IQ Healthy Hearts ETF	Non-Diversified

### **Investment Restrictions**

The investment restrictions set forth below as fundamental policies cannot be changed with respect to a Fund without the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the outstanding voting securities of the Fund. The investment objective of each Fund and all other investment policies or practices of the Fund are considered by the Trust not to be fundamental and accordingly may be changed without shareholder approval. For purposes of the 1940 Act, a "majority of the outstanding voting securities" means the lesser of (i) 67% or more of the Shares of the Fund present at a meeting, if the holders of more than 50% of the outstanding Shares of the Fund are present or represented by proxy, or (ii) more than 50% of the Shares of a Fund.

For purposes of the following limitations, any limitation which involves a maximum percentage shall not be considered violated unless an excess over the percentage occurs immediately after, and is caused by, an acquisition or encumbrance of securities or assets of, or borrowings by, a Fund.

As a matter of fundamental policy, each Fund other than the IQ Global Resources ETF may not invest 25% or more of its total assets in the securities of one or more issuers conducting their principal business activities in the same industry or group of industries (excluding the U.S. government or any of its agencies or instrumentalities). Nonetheless, to the extent the Fund's Underlying Index is concentrated in a particular industry or group of industries, the Fund's investments will exceed this 25% limitation to the extent that it is necessary to gain exposure to Underlying Index Components (as defined below) to track its Underlying Index.

For certain Funds in which the Underlying Index is expected to exceed this 25% limitation, the particular industry or group of industries may be identified in its Prospectus under the section “Principal Investment Strategies.”

The IQ Global Resources ETF will concentrate in the securities of issuers in the resources-related industries or sectors so identified.

A Fund may, notwithstanding any other fundamental investment restriction or policy, invest some or all of its assets in a single ETF, open-end investment company or series thereof with substantially the same fundamental investment objective, restrictions and policies as the Fund.

As a matter of fundamental policy, each Fund other than the, IQ U.S. Large Cap ETF, IQ U.S. Small Cap ETF, IQ Candriam U.S. Large Cap Equity ETF, IQ Candriam U.S. Mid Cap Equity ETF, IQ Candriam International Equity ETF, IQ 500 International ETF, IQ Healthy Hearts ETF, IQ U.S. Mid Cap R&D Leaders ETF, IQ U.S. Large Cap R&D Leaders ETF, IQ Global Equity R&D Leaders ETF, IQ Engender Equality ETF, IQ Clean Oceans ETF and IQ Cleaner Transport ETF:

- A. May not borrow money, except (a) the Fund may borrow from banks (as defined in the 1940 Act) or through reverse repurchase agreements in amounts up to 33-1/3% of its total assets (including the amount borrowed), (b) the Fund may, to the extent permitted by applicable law, borrow up to an additional 5% of its total assets for temporary purposes, (c) the Fund may obtain such short-term credits as may be necessary for the clearance of purchases and sales of portfolio securities, (d) the Fund may purchase securities on margin to the extent permitted by applicable law, and (e) the Fund may engage in portfolio transactions, such as mortgage dollar rolls which are accounted for as financings.
- B. May not make loans, except through (a) the purchase of debt obligations in accordance with the Fund’s investment objective and policies, (b) repurchase agreements with banks, brokers, dealers and other financial institutions, and (c) loans of securities as permitted by applicable law.
- C. May not underwrite securities issued by others, except to the extent that the sale of portfolio securities by the Fund may be deemed to be an underwriting.
- D. May not purchase, hold or deal in real estate, although the Fund may purchase and sell securities or other investments that are secured by real estate or interests therein or that reflect the return of an index of real estate values, securities of real estate investment trusts and other companies that are engaged primarily in real estate-related businesses and mortgage-related securities and may hold and sell real estate acquired by the Fund as a result of the ownership of securities.
- E. May not invest in commodities or currencies, except that the Fund may invest in (a) publicly traded commodity pools or (b) financial instruments (such as structured notes, swaps, futures contracts, forward contracts, and options on such contracts) (i) on commodities or currencies, (ii) that represent indices of commodity or currency prices, or (iii) that reflect the return of such indices.
- F. May not issue senior securities to the extent such issuance would violate applicable law.

As a matter of fundamental policy, each of the IQ U.S. Large Cap ETF, IQ U.S. Small Cap ETF, IQ Candriam U.S. Large Cap Equity ETF, IQ Candriam U.S. Mid Cap Equity ETF, IQ Candriam International Equity ETF, IQ 500 International ETF, IQ Healthy Hearts ETF, IQ U.S. Mid Cap R&D Leaders ETF, IQ U.S. Large Cap R&D Leaders ETF, IQ Global Equity R&D Leaders ETF, IQ Engender Equality ETF, IQ Clean Oceans ETF and IQ Cleaner Transport ETF:

- A. May borrow money, to the extent permitted under the 1940 Act, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.
- B. May make loans to the extent permitted under the 1940 Act, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.
- C. May act as an underwriter of securities within the meaning of the Securities Act, to the extent permitted under the Securities Act, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.
- D. May purchase or sell real estate or any interest therein to the extent permitted under the 1940 Act, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.

- E. May not purchase physical commodities or contracts relating to physical commodities, except as permitted under the 1940 Act and other applicable laws, rules and regulations, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.
- F. May issue senior securities, to the extent permitted under the 1940 Act, as such may be interpreted or modified by regulatory authorities having jurisdiction, from time to time.

With respect to each Fund's fundamental investment restriction A, asset coverage of at least 300% (as defined in the 1940 Act), inclusive of any amounts borrowed, must be maintained at all times.

Unless otherwise indicated, all of the percentage limitations above and in the investment restrictions recited in the Prospectus apply only at the time of an acquisition or encumbrance of securities or assets of a Fund, except that any borrowing by a Fund that exceeds applicable limitations must be reduced to meet such limitations within the period required by the 1940 Act. Therefore, a change in the percentage that results from a relative change in values or from a change in a Fund's assets will not be considered a violation of the Fund's policies or restrictions. "Value" for the purposes of all investment restrictions shall mean the value used in determining a Fund's NAV.

### **INVESTMENT STRATEGIES AND RISKS**

Subject to the limitations set forth herein and in the Prospectus, the Advisor or subadvisor, if any, to each Fund may, in its discretion, at any time, employ any of the following practices, techniques or instruments for the Funds. Furthermore, it is possible that certain types of financial instruments or investment techniques described herein may not be available, permissible, economically feasible, or effective for their intended purposes in all markets and under all conditions. Certain practices, techniques, or instruments may not be principal activities of the Funds but, to the extent employed, could from time to time have a material impact on the Funds' performance.

Unless otherwise indicated above, the Funds may engage in the following investment practices or techniques, subject to the specific limits described in the Prospectus or elsewhere in this SAI. Unless otherwise stated in the Prospectus, investment techniques are discretionary. That means the Advisor, or subadvisor, if any, may elect to engage or not engage in the various techniques at its sole discretion. Investors should not assume that any particular discretionary investment technique or strategy will be employed at all times, or ever employed. With respect to some of the investment practices and techniques, Funds that are most likely to engage in a particular investment practice or technique are indicated in the relevant descriptions as Funds that may engage in such practices or techniques.

The loss of money is a risk of investing in the Funds. None of the Funds, neither individually nor collectively, is intended to constitute a balanced or complete investment program and the NAV per Share of each Fund will fluctuate based on the value of the securities held by each Fund. Each Fund is subject to the risks and considerations associated with investing in ETFs generally as well as additional risks and restrictions discussed herein.

#### **General**

Investment in each Fund should be made with an understanding that the value of the portfolio of securities held by such Fund may fluctuate in accordance with changes in the financial condition of the issuers of the portfolio securities, the value of common stocks generally and other factors.

None of the Funds are actively managed by traditional methods and therefore the adverse financial condition of any one issuer will not result in the elimination of its securities from the portfolio securities held by the Fund unless the securities of such issuer are removed from its respective Underlying Index.

An investment in each Fund should also be made with an understanding that a Fund will not be able to replicate exactly the performance of its Underlying Index because the total return generated by its portfolio securities will be reduced by transaction costs incurred in adjusting the actual balance of such securities and other Fund expenses, whereas such transaction costs and expenses are not included in the calculation of its Underlying Index. It is also possible that for short periods of time, a Fund may not fully replicate the performance of its Underlying Index due to the temporary unavailability of certain Underlying Index securities in a secondary market ("Secondary Market") or due to other extraordinary circumstances. Such events are unlikely to continue for an extended period of time because a Fund is required to correct such imbalances by means of adjusting the composition of its portfolio securities. It is also possible that the composition of a Fund may not exactly replicate the composition of its Underlying Index if the Fund has to adjust its portfolio securities in order to continue to qualify as a "regulated investment company" under the U.S. Internal Revenue Code of 1986, as amended.



## **Asset-Backed Securities**

Asset-backed securities are securities that represent interests in, and whose values and payments are based on, a “pool” of underlying assets, which may include, among others, lower-rated debt securities and corporate loans, consumer loans or mortgages and leases of property. Asset-backed securities may include collateralized debt obligations, collateralized bond obligations, and collateralized loan obligations and other similarly structured vehicles. The risks of an investment in asset-backed securities depend largely on the type of collateral securities and the class of the instrument in which a Fund invests. Enforcing rights against such collateral in events of default may be difficult or insufficient. These securities may have a structure that makes their reaction to interest rate changes and other factors difficult to predict, making their value highly volatile.

## **Common Stock**

Common stock is issued by companies principally to raise cash for business purposes and represents a residual interest in the issuing company. A Fund participates in the success or failure of any company in which it holds stock. The prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

## **Convertible Securities**

A convertible security is a bond, debenture, note, preferred stock, right, warrant or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity securities. As with other equity securities, the value of a convertible security tends to increase as the price of the underlying stock goes up, and to decrease as the price of the underlying stock goes down. Declining common stock values therefore also may cause the value of the Funds’ investments to decline. Like a debt security, a convertible security provides a fixed income stream with generally higher yields than those of common stock of the same or similar issuers, which tends to decrease in value when interest rates rise.

Convertible securities generally rank senior to common stock in a corporation’s capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities. Many convertible securities have credit ratings that are below investment grade and are subject to the same risks as lower-rated debt securities.

Contingent convertible securities (“CoCos”) have no stated maturity, have fully discretionary coupons and are typically issued in the form of subordinated debt instruments. CoCos generally either convert into equity or have their principal written down upon the occurrence of certain triggering events (“triggers”) linked to regulatory capital thresholds or regulatory actions relating to the issuer’s continued viability. As a result, an investment by a Fund in CoCos is subject to the risk that coupon (i.e., interest) payments may be cancelled by the issuer or a regulatory authority in order to help the issuer absorb losses. An investment by a Fund in CoCos is also subject to the risk that, in the event of the liquidation, dissolution or winding-up of an issuer prior to a trigger event, the Fund’s rights and claims will generally rank junior to the claims of holders of the issuer’s other debt obligations. In addition, if CoCos held by a Fund are converted into the issuer’s underlying equity securities following a trigger event, the Fund’s holding may be further subordinated due to the conversion from a debt to equity instrument.

## **Cyber Security and Disruptions in Operations**

The Funds are more susceptible to operational and information security risks resulting from breaches in cyber security. Cyber incidents can result from unintentional events (such as an inadvertent release of confidential information) or deliberate attacks by insiders or third-parties, including cyber criminals, competitors, nation-states and “hacktivists,” and can be perpetrated by a variety of complex means, including the use of stolen access credentials, malware or other computer viruses, ransomware, phishing, structured query language injection attacks, and distributed denial of service attacks, among other means. Cyber incidents may result in actual or potential adverse consequences for critical information and communications technology, or systems and networks that are vital to a Fund’s or its service providers’ operations, or otherwise impair Fund or service provider operations. In addition, a cyber security breach may cause disruptions and impact a Fund’s business operations, which could potentially result in financial losses, inability to determine the Fund’s NAV including over an extended period, impediments to trading, the inability of shareholders to transact business, violation of applicable law, regulatory penalties and/or fines, compliance and other costs. A Fund and its shareholders could be negatively impacted as a result. Further, substantial costs may be incurred in order to prevent future cyber incidents.

In addition, because a Fund works closely with third-party service providers (e.g., custodians), cyber security breaches at such third-party service providers or trading counterparties may subject the Fund's shareholders to the same risks associated with direct cyber security breaches. Further, cyber security breaches at an issuer of securities in which a Fund invests may similarly negatively impact the Fund's shareholders because of a decrease in the value of these securities. These incidents could result in adverse consequences for such issuers, and may cause a Fund's investment in such securities to lose value.

While a Fund has established risk management systems and business continuity policies designed to reduce the risks associated with cyber security breaches and other operational disruptions, there can be no assurances that such measures will be successful particularly since a Fund does not control the cyber security and operational systems of issuers or third-party service providers, and certain security breaches may not be detected. A Fund and its respective shareholders could be negatively impacted as a result of any security breaches or operational disruptions and may bear certain costs tied to such events.

### **Debt Securities**

Debt securities may have fixed, variable or floating (including inverse floating) rates of interest. The value of the debt securities generally will fluctuate depending on a number of factors, including, among others, changes in the perceived creditworthiness of the issuers of those securities, movements in interest rates, and the maturity of the debt security. Generally, a rise in interest rates will reduce the value of fixed-income securities, and a decline in interest rates will increase the value of fixed-income securities. Longer term debt securities generally pay higher interest rates than do shorter term debt securities but also may experience greater price volatility as interest rates change.

The rate of return or return of principal on some debt obligations may be linked to indices or stock prices or indexed to the level of exchange rates between the U.S. dollar and foreign currency or currencies. Higher yields are generally available from securities in the lower rating categories. The value of lower-rated debt securities may fluctuate more than the value of higher-rated debt securities. Lower-rated debt securities generally carry greater risk that the issuer will default on the payment of interest and principal. Lower-rated fixed-income securities generally tend to reflect short term corporate and market developments to a greater extent than higher-rated securities that react primarily to fluctuations in the general level of interest rates.

The ratings of fixed-income securities by a nationally recognized statistical rating organization ("NRSRO") are a generally accepted barometer of credit risk. They are, however, subject to certain limitations from an investor's standpoint. The rating of an issuer is heavily weighted by past developments and does not necessarily reflect future conditions. There is frequently a lag between the time a rating is assigned and the time it is updated. In addition, there may be varying degrees of difference in credit risk of securities in each rating category.

### **Depository Receipts**

Types of depository receipts in which a Fund may invest include American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs") and Global Depositary Receipts ("GDRs"). ADRs are receipts that are traded in the U.S. evidencing ownership of the underlying foreign securities and are denominated in U.S. dollars. EDRs and GDRs are receipts issued by a non-U.S. financial institution evidencing ownership of underlying foreign or U.S. securities and usually are denominated in foreign currencies. EDRs and GDRs may not be denominated in the same currency as the securities they represent. Generally, EDRs and GDRs are designed for use in the foreign securities markets.

To the extent a Fund invests in ADRs, such ADRs will be listed on a national securities exchange. To the extent a Fund invests in GDRs or EDRs, such GDRs and EDRs will be listed on a foreign exchange. A Fund will not invest in any unlisted depository receipt or any depository receipt for which pricing information is not readily available. Generally, all depository receipts must be sponsored. A Fund, however, may invest in unsponsored depository receipts under certain limited circumstances. A non-sponsored depository may not provide the same shareholder information that a sponsored depository is required to provide under its contractual arrangement with the issuer. Therefore, there may be less information available regarding such issuers and there may not be a correlation between such information and the market value of the depository receipts.

### **Derivatives Risk**

The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. Additionally, when a Fund invests in certain derivative securities, including, but not limited to, when-issued securities, forward commitments, futures contracts and interest rate swaps, a Fund is effectively leveraging its investments, which could result in exaggerated changes in the net asset value of a Fund's shares and can result in losses that exceed the amount originally invested. The success of the Advisor's derivatives strategies will depend on its ability to assess and predict the impact of market or economic developments on the underlying asset, index or rate and the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Liquidity risk could also exist when a security cannot be purchased or sold at the time desired or cannot be purchased or sold without adversely affecting the price.

## **Emerging Market Countries**

A Fund may invest in securities of issuers located in emerging countries. The risks of foreign investment are heightened when the issuer is located in an emerging country. Emerging countries are generally located in the Asia and Pacific regions, the Middle East, Eastern Europe, Central and South America and Africa. The securities markets of emerging countries are less liquid, are especially subject to greater price volatility, have smaller market capitalizations, have less government regulation and are not subject to as extensive and frequent accounting, financial and other reporting requirements as the securities markets of more developed countries. Further, investment in certain emerging countries involves risk of loss resulting from problems in share registration and custody and substantial economic and political disruptions. These risks are not normally associated with investment in more developed countries. Foreign investment in the securities markets of certain emerging countries is restricted or controlled to varying degrees which may limit investment in such countries or increase the administrative costs of such investments. The small size and inexperience of the securities markets in certain emerging countries and the limited volume of trading in securities in those countries may make a Fund's investments in such countries less liquid and more volatile than investments in countries with more developed securities markets.

Many emerging countries have experienced currency devaluations and substantial (and, in some cases, extremely high) rates of inflation. Other emerging countries have experienced economic recessions. These circumstances have had a negative effect on the economies and securities markets of such emerging countries. A Fund's use of foreign currency management techniques in emerging countries may be limited. The Advisor anticipates that a significant portion of a Fund's currency exposure in emerging countries may not be covered by these techniques.

Many emerging countries are subject to a substantial degree of economic, political and social instability. Investing in emerging countries involves greater risk of loss due to expropriation, nationalization, confiscation of assets and property or the imposition of restrictions on foreign investments and on repatriation of capital invested. This instability may result from, among other things, the following: (i) authoritarian governments or military involvement in political and economic decision making, including changes or attempted changes in governments through extraconstitutional means; (ii) popular unrest associated with demands for improved political, economic or social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; (v) ethnic, religious and racial disaffection or conflict; and (vi) the absence of developed legal structures governing foreign private investments and private property. Such economic, political and social instability could disrupt the principal financial markets in which a Fund may invest and adversely affect the value of the Fund's assets.

Issuers and securities markets in emerging market countries are not subject to as extensive and frequent accounting, financial and other reporting requirements or as comprehensive government regulations as are issuers and securities markets in the U.S. A Fund's investment in emerging countries may also be subject to withholding or other taxes, which may be significant and may reduce the return from an investment in such countries to the Fund.

## **Floating and Variable Rate Securities**

Floating and variable rate securities provide for a periodic adjustment in the interest rate paid on the obligations. The terms of such obligations must provide that interest rates are adjusted periodically based upon an interest rate adjustment index as provided in the respective obligations. The adjustment intervals may be regular and range from daily up to annually, or may be based on an event, such as a change in the prime rate.

Some variable or floating rate securities are structured with liquidity features such as (1) put options or tender options that permit holders (sometimes subject to conditions) to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries or (2) auction rate features, remarketing provisions, or other maturity-shortening devices designed to enable the issuer to refinance or redeem outstanding debt securities (market dependent liquidity features). Variable or floating rate securities that include market-dependent liquidity features may have greater liquidity risk than other securities, due to (for example) the failure of a market-dependent liquidity feature to operate as intended (as a result of the issuer's declining creditworthiness, adverse market conditions, or other factors) or the inability or unwillingness of a participating broker/dealer to make a Secondary Market for such securities. As a result, variable or floating rate securities that include market-dependent liquidity features may lose value and the holders of such securities may be required to retain them until the later of the repurchase date, the resale date, or maturity.

The interest rate on a floating rate debt instrument (“floater”) is a variable rate that is tied to another interest rate, such as a money-market index or Treasury bill rate. The interest rate on a floater may reset periodically, typically every three to six months, or whenever a specified interest rate changes. While, because of the interest rate reset feature, floaters provide a Fund with a certain degree of protection against rises in interest rates; a Fund will participate in any declines in interest rates as well.

### **Foreign Securities**

Foreign investments involve special risks that are not typically associated with U.S. dollar denominated or quoted securities of U.S. issuers. Foreign investments may be affected by changes in currency rates, changes in foreign or U.S. laws or restrictions applicable to such investments and changes in exchange control regulations (e.g., currency blockage). A decline in the exchange rate of the currency (i.e., weakening of the currency against the U.S. dollar) in which a portfolio security is quoted or denominated relative to the U.S. dollar would reduce the value of the portfolio security.

Brokerage commissions, custodial services and other costs relating to investment in international securities markets generally are more expensive than in the U.S. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, such procedures have been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

There is generally less government supervision and regulation of foreign securities exchanges, brokers, dealers and listed and unlisted companies than in the U.S., and the legal remedies for investors may be more limited than the remedies available in the U.S. Foreign issuers are not generally subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to U.S. issuers. Since foreign issuers generally are not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies, there may be less publicly available information about a foreign company than about a U.S. company. There may be less publicly available information about a foreign issuer than about a U.S. issuer. In addition, there is generally less government regulation of foreign markets, companies and securities dealers than in the U.S. and the legal remedies for investors may be more limited than the remedies available in the U.S.

Foreign securities markets may have substantially less volume than U.S. securities markets and securities of many foreign issuers are less liquid and more volatile than securities of comparable domestic issuers. Furthermore, with respect to certain foreign countries, there is a possibility of nationalization, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividend or interest payments (or, in some cases, capital gains distributions), limitations on the removal of funds or other assets from such countries, and risks of political or social instability or diplomatic developments which could adversely affect investments in those countries.

Investments in foreign securities may offer potential benefits not available from investments solely in U.S. dollar-denominated or quoted securities of domestic issuers. Such benefits may include the opportunity to invest in foreign issuers that appear to offer the opportunity for potential long-term growth of capital and income, the opportunity to invest in foreign countries with economic policies or business cycles different from those of the U.S. and the opportunity to take advantage of foreign stock markets that do not necessarily move in a manner parallel to U.S. markets.

### **Forward Foreign Currency Exchange Contracts.**

A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded in the interbank market between currency traders (usually large commercial banks) and their customers. A forward contract generally has no deposit requirement, and no commissions are generally charged at any stage for trades.

At the maturity of a forward contract a Fund may either accept or make delivery of the currency specified in the contract or, at or prior to maturity, enter into a closing transaction involving the purchase or sale of an offsetting contract. Closing transactions with respect to forward contracts are often, but not always, effected with the currency trader who is a party to the original forward contract. Thus, while a Fund may benefit from such transactions, unanticipated changes in currency prices may result in a poorer overall performance for the Fund than if it had not engaged in any such transactions. Moreover, there may be imperfect correlation between a Fund’s portfolio holdings of securities quoted or denominated in a particular currency and forward contracts entered into by the Fund. Such imperfect correlation may cause a Fund to sustain losses which will prevent the Fund from achieving a complete hedge or expose the Fund to risk of foreign exchange loss.

Markets for trading foreign forward currency contracts offer less protection against defaults than is available when trading in currency instruments on an exchange. Forward contracts are subject to the risk that the counterparty to such contract will default on its obligations. Since a forward foreign currency exchange contract is not guaranteed by an exchange or clearinghouse, a default on the contract would deprive a Fund of unrealized profits, transaction costs or the benefits of a currency hedge or force the Fund to cover its purchase or sale commitments, if any, at the current market price. In addition, the institutions that deal in forward currency contracts are not required to continue to make markets in the currencies they trade and these markets can experience periods of illiquidity. A Fund will not enter into forward foreign currency exchange contracts, currency swaps or other privately negotiated currency instruments unless the credit quality of the unsecured senior debt or the claims-paying ability of the counterparty is considered to be investment grade by the Advisor. To the extent that a substantial portion of a Fund’s total assets, adjusted to reflect the Fund’s net position after giving effect to currency transactions, is denominated or quoted in the currencies of foreign countries, the Fund will be more susceptible to the risk of adverse economic and political developments within those countries.

## **Fund of Funds Risk**

Certain Funds pursue their investment objective by investing primarily in securities of funds included in its Underlying Index. Each such Fund's investment performance, because it is a fund of funds, depends on the investment performance of the Underlying ETPs in which it invests. An investment in a Fund is subject to the risks associated with the Underlying ETPs that comprise the Underlying Index in which the Fund invests. Each Fund will indirectly pay a proportional share of the asset-based fees of the Underlying ETPs in which it invests. There is a risk that IndexIQ's evaluations and assumptions regarding the asset classes represented in each Underlying Index may be incorrect based on actual market conditions. In addition, at times the segments of the market represented by the Underlying ETPs within the Underlying Index may be out of favor and underperform other segments. The Funds have adopted a policy that prohibits a Fund from acquiring securities of registered open-end investment companies in reliance on subparagraphs G or F of section 12 of the Investment Company Act of 1940.

## **Futures Contracts and Options on Futures Contracts**

As a part of its principal investment strategy, a Fund may purchase and sell futures contracts and may also purchase and write call and put options on futures contracts. A Fund may purchase and sell futures contracts based on various securities, securities indices, foreign currencies and other financial instruments and indices. A Fund may engage in futures and related option transactions in an attempt to match the returns of the Index Components and the total return of the Index. A Fund may also enter into closing purchase and sale transactions with respect to such contracts and options. The Trust, on behalf of a Fund, has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a pool operator under that Act with respect to the Fund.

Futures contracts entered into by a Fund have historically been traded on U.S. exchanges or boards of trade that are licensed and regulated by the Commodity Futures Trading Commission (the "CFTC") or with respect to certain funds, on foreign exchanges. More recently, certain futures may also be traded either over-the-counter or on trading facilities such as degrees by the CFTC. Also, certain single stock futures and narrow based security index futures may be traded either over-the-counter or on trading facilities such as contract markets, derivatives transaction execution facilities and electronic trading facilities that are licensed and/or regulated to varying degrees by both the CFTC and the SEC, or on foreign exchanges.

Neither the CFTC, National Futures Association, SEC nor any domestic exchange regulates activities of any foreign exchange or boards of trade, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rules of a foreign exchange or board of trade or any applicable foreign law. This is true even if the exchange is formally linked to a domestic market so that a position taken on the market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the foreign futures or foreign options transaction occurs. For these reasons, a Fund's investments in foreign futures or foreign options transactions may not be provided the same protections in respect of transactions on U.S. exchanges. In particular, persons who trade foreign futures or foreign options contracts may not be afforded certain of the protective measures provided by the Commodity Exchange Act, the CFTC's regulations and the rules of the National Futures Association and any domestic exchange, including the right to use reparations proceedings before the CFTC and arbitration proceedings provided by the National Futures Association or any domestic futures exchange. Similarly, those persons may not have the protection of the U.S. securities laws.

***Futures Contracts.*** A futures contract may generally be described as an agreement between two parties to buy and sell particular financial instruments for an agreed price during a designated month (or to deliver the final cash settlement price, in the case of a contract relating to an index or otherwise not calling for physical delivery at the end of trading in the contract).

Positions taken in the futures market are not normally held to maturity, but are instead liquidated through offsetting transactions which may result in a profit or a loss. While a Fund will usually liquidate futures contracts on securities or currency in this manner, a Fund may instead make or take delivery of the underlying securities or currency whenever it appears economically advantageous for the Fund to do so. A clearing corporation associated with the exchange on which futures are traded guarantees that, if still open, the sale or purchase will be performed on the settlement date.

**Hedging Strategies.** Hedging, by use of futures contracts, seeks to establish with more certainty than would otherwise be possible the effective price, rate of return or currency exchange rate on portfolio securities or securities that a Fund owns or proposes to acquire. A Fund may, for example, take a “short” position in the futures market by selling futures contracts to seek to hedge against an anticipated rise in interest rates or a decline in market prices or foreign currency rates that would adversely affect the dollar value of a Fund’s portfolio securities. Similarly, a Fund may sell futures contracts on a currency in which its portfolio securities are quoted or denominated, or sell futures contracts on one currency to seek to hedge against fluctuations in the value of securities quoted or denominated in a different currency if there is an established historical pattern of correlation between the two currencies. When hedging of this character is successful, any depreciation in the value of portfolio securities will be substantially offset by appreciation in the value of the futures position. On the other hand, any unanticipated appreciation in the value of a Fund’s portfolio securities would be substantially offset by a decline in the value of the futures position.

**Options on Futures Contracts.** The acquisition of put and call options on futures contracts will give a Fund the right (but not the obligation), for a specified price, to sell or to purchase, respectively, the underlying futures contract at any time during the option period. As the purchaser of an option on a futures contract, a Fund obtains the benefit of the futures position if prices move in a favorable direction but limits its risk of loss in the event of an unfavorable price movement to the loss of the premium and transaction costs.

The writing of a call option on a futures contract generates a premium which may partially offset a decline in the value of a Fund’s assets. By writing a call option, a Fund becomes obligated, in exchange for the premium, to sell a futures contract if the option is exercised, which may have a value higher than the exercise price. The writing of a put option on a futures contract generates a premium, which may partially offset an increase in the price of securities that a Fund intends to purchase. However, a Fund becomes obligated (upon the exercise of the option) to purchase a futures contract if the option is exercised, which may have a value lower than the exercise price. Thus, the loss incurred by a Fund in writing options on futures is potentially unlimited and may exceed the amount of the premium received. A Fund will incur transaction costs in connection with the writing of options on futures.

## **High Yield Securities**

Typically, high yield debt securities (sometimes called “junk bonds”) are rated below investment grade by one or more of the rating agencies and are generally considered to be speculative. Investment in lower rated debt securities provides greater income and increased opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility and principal and income risk. These high yield securities are regarded as predominantly speculative with respect to the issuer’s continuing ability to meet principal and interest payments.

Investors should be willing to accept the risk associated with investment in high yield securities. Investment in high yield bonds involves special risks in addition to the risks associated with investments in higher rated debt securities. High yield bonds may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade bonds. The prices of high yield bonds have been found to be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments.

The Secondary Market on which high yield bonds are traded may be less liquid than the market for higher grade bonds. Less liquidity in the secondary trading market could adversely affect the price at which a Fund could sell a high yield bond. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of high yield bonds, especially in a thinly traded market.

If the issuer of high yield bonds defaults, a Fund may incur additional expenses to seek recovery. In the case of high yield bonds structured as zero coupon or payment-in-kind securities, the market prices of such securities are affected to a greater extent by interest rate changes, and therefore tend to be more volatile than securities that pay interest periodically and in cash.

The use of credit ratings as the sole method for evaluating high yield bonds also involves certain risks. For example, credit ratings evaluate the safety of principal and interest payments, not the market value risk of high yield bonds. Also, credit rating agencies may fail to change credit ratings on a timely basis to reflect subsequent events.

## **Illiquid Securities**

Illiquid securities may include securities subject to contractual or other restrictions on resale and other instruments that lack readily available markets, as determined in accordance with SEC staff guidance. The liquidity of a security relates to the ability to readily dispose of the security and the price to be obtained upon disposition of the security, which may be lower than the price that would be obtained for a comparable, more liquid security. Illiquid securities may trade at a discount to comparable, more liquid securities and a Fund may not be able to dispose of illiquid securities in a timely fashion or at their expected prices. A Fund may not invest more than 15% of its net assets in illiquid securities (calculated at the time of investment).

## **Lending of Portfolio Securities**

A Fund may lend portfolio securities constituting up to 33 1/3% of its total assets (as permitted by the 1940 Act). Under present regulatory policies, such loans may be made to institutions, such as brokers or dealers, pursuant to agreements requiring the loans to be continuously secured by collateral in cash, securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, irrevocable bank letters of credit (upon consent of the Board) or any combination thereof, marked to market daily, at least equal to the market value of the securities loaned. Cash received as collateral for securities lending transactions may be invested in liquid, short-term investments approved by the Advisor.

Investing the collateral subjects a Fund to risks, and the Fund will be responsible for any loss that may result from its investment of the borrowed collateral. A Fund will have the right to terminate a loan at any time and recall the loaned securities within the normal and customary settlement time for securities transactions. For the duration of a loan, a Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned and will also receive compensation from investment of the collateral. These events could also trigger adverse tax consequences for a Fund.

A Fund will generally not have the right to vote securities during the existence of the loan, but the Advisor may call the loan to exercise the Fund's voting or consent rights on material matters affecting the Fund's investment in such loaned securities. As with other extensions of credit there are risks of delay in recovering, or even loss of rights in, the collateral and loaned securities should the borrower of the securities fail financially.

Loans will be made only to firms deemed creditworthy, and when the consideration which can be earned from securities loans is deemed to justify the attendant risk. The creditworthiness of a borrower will be considered in determining whether to lend portfolio securities and will be monitored during the period of the loan. It is intended that the value of securities loaned by a Fund will not exceed one-third of the value of the Fund's total assets (including the loan collateral). Loan collateral (including any investment of the collateral) is not subject to the percentage limitations stated elsewhere in this SAI or the Prospectus regarding investing in fixed-income securities and cash equivalents.

## **Liquidation of a Fund**

The Board may determine to close and liquidate a Fund at any time, which may have adverse consequences for shareholders. In the event of the liquidation of a Fund, shareholders will receive a liquidating distribution in cash or in-kind. A liquidating distribution may be a taxable event to shareholders, resulting in a gain or loss for tax purposes, depending upon a shareholder's basis in his or her Shares of a Fund. A shareholder may receive an amount in liquidation less than the shareholder's original investment.

## **Long/Short Risk**

Certain Funds seek long exposure to certain securities and may seek short exposure to certain other securities. There is no guarantee that the returns on a Fund's long or short positions will produce high, or even positive, returns and the Fund could lose money if either or both the Fund's long and short positions produce negative returns. In addition, a Fund may gain enhanced long exposure to certain securities (i.e., obtain investment exposure that exceeds the amount directly invested in those assets, a form of leverage) and, under such circumstances, will lose more money in market environments that are adverse to its long positions than funds that do not employ such leverage. As a result, such investments may give rise to losses that exceed the amount invested in those assets.

## **Market Disruption Risk and Recent Market Events**

Geopolitical and other events, including war, terrorism, economic uncertainty, trade disputes, public health crises and related geopolitical events have led, and in the future may lead, to disruptions in the US and world economies and markets, which may increase financial market volatility and have significant adverse direct or indirect effects on a Fund and its investments. Market disruptions could cause a Fund to lose money, experience significant redemptions, and encounter operational difficulties. Although multiple asset classes may be affected by a market disruption, the duration and effects may not be the same for all types of assets.

Recent market disruption events include the pandemic spread of the novel coronavirus known as COVID-19, and the significant restrictions, market volatility, decreased economic and other activity and increased government activity that it has caused. While vaccines have been developed, there is no guarantee that vaccines will be effective against emerging future variants of the disease. As this global pandemic illustrated, such events may affect certain geographic regions, countries, sectors and industries more significantly than others.

In late February 2022, the Russian military invaded the Ukraine, which amplified existing geopolitical tensions among Russia, Ukraine, Europe, and many other countries including the U.S. and other members of the North Atlantic Treaty Organization (“NATO”). In response, various countries, including the U.S., the United Kingdom, and members of the European Union issued broad-ranging economic sanctions against Russia, Russian companies and financial institutions, Russian individuals and others. Additional sanctions may be imposed in the future. Such sanctions (and any future sanctions) and other actions against Russia in light of Russia’s invasion of Ukraine will adversely impact the economies of Russia and Ukraine. Certain sectors of each country’s economy may be particularly affected, including but not limited to, financials, energy, metals and mining, engineering and defense and defense-related materials sectors.

Further, a number of large corporations and U.S. and foreign governmental entities have announced plans to divest interests or otherwise curtail business dealings in Russia or with certain Russian businesses. These events have resulted in (and may continue to result in) a loss of liquidity and value of Russian and Ukrainian securities and, in some cases, a complete inability to trade or settle trades in certain Russian securities. Further actions are likely to be taken by the international community, including governments and private corporations, that will adversely impact the Russian economy in particular. Such actions may include boycotts, tariffs, and purchasing and financing restrictions on Russia’s government, companies and certain individuals, or other unforeseeable actions.

The ramifications of the hostilities and sanctions also may negatively impact other regional and global economic markets (including Europe and the U.S.), companies in other countries (particularly those that have done business with Russia) and various sectors, industries and markets for securities and commodities globally, such as oil and natural gas and precious metals. Accordingly, the actions discussed above and the potential for a wider conflict could increase financial market volatility and have severe negative consequences for regional and global markets, industries and companies in which a Fund invests. Moreover, the extent and duration of the Ukrainian invasion or future escalation of such hostilities, the extent and impact of existing and future sanctions, market disruptions and volatility, and the result of any diplomatic negotiations cannot be predicted. These and any related events could have a significant impact on a Fund’s performance and the value of an investment in a Fund.

Changing interest rate environments (whether downward or upward) impact the various sectors of the economy in different ways. For example, low interest rate environments tend to be a positive factor for the equity markets, whereas high interest rate environments tend to apply downward pressure on earnings and stock prices. Likewise, during periods when interest rates are increasing (rather than stagnant in a high or low interest rate environment), the price of fixed income investments tend to fall as investors begin to seek higher-yielding investments. Accordingly, a Fund is subject to heightened interest rate risk during periods of low interest rates. During rising interest rate environments, the Funds may be adversely affected, especially those Funds that are more susceptible to interest rate risk (e.g., those funds that hold fixed income investments or that invest in equity securities of issuers who are adversely affected by rising interest rates).

Recent and potential future bank failures could result in disruption to the broader banking industry or markets generally and reduce confidence in financial institutions and the economy as a whole, which may also heighten market volatility and reduce liquidity. Events in the financial sector may result in reduced liquidity in the credit, fixed-income and other financial markets and an unusually high degree of volatility in the financial markets, both domestically and internationally. Certain isolated events in a financial market may also result in systemic adverse consequences across broader segments of the financial markets (domestically, regionally, or globally) in unanticipated or unforeseen ways. Such events may result from unregulated markets, systemic risk, natural market forces, bad actors, or other unforeseen scenarios.

### **Money Market Instruments**

A Fund may invest a portion of its assets in high-quality money market instruments on an ongoing basis rather than in Underlying Index Components, when it would be more efficient or less expensive for a Fund to do so, or as collateral for Financial Instruments, for liquidity purposes, or to earn interest. The instruments in which a Fund may invest include: (1) short-term obligations issued by the U.S. government; (2) negotiable certificates of deposit (“CDs”), fixed time deposits and bankers’ acceptances of U.S. and foreign banks and similar institutions; (3) commercial paper; (4) repurchase agreements; and (5) money market mutual funds. CDs are short-term negotiable obligations of commercial banks. Time deposits are non-negotiable deposits maintained in banking institutions for specified periods of time at stated interest rates. Banker’s acceptances are time drafts drawn on commercial banks by borrowers, usually in connection with international transactions.

### **Mortgage-Related Securities**

Typically, mortgage-related securities are interests in pools of residential or commercial mortgage loans or leases, including mortgage loans made by savings and loans institutions, mortgage bankers, commercial banks and others. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations (“mortgage passthrough securities”).



Like other fixed-income securities, when interest rates rise, the value of a mortgage-related security generally will decline. However, when interest rates are declining, the value of a mortgage-related security with prepayment features may not increase as much as other fixed-income securities. The value of these securities may be significantly affected by changes in interest rates, the market's perception of issuers, the creditworthiness of the parties involved and the value of real property or other collateral underlying the mortgage-related security. Some securities may have a structure that makes their reaction to interest rate changes and other factors difficult to predict, making their value highly volatile. These securities may also be subject to prepayment risk and, if the security has been purchased at a premium, the amount of the premium would be lost in the event of prepayment.

Investment in mortgage-backed securities poses several risks, including prepayment, extension risk, market risk, and credit risk. Prepayment risk reflects the chance that borrowers may prepay their mortgages faster than expected, thereby affecting the investment's average life and perhaps its yield. Whether or not a mortgage loan is prepaid is almost entirely controlled by the borrower. Besides the effect of prevailing interest rates, the rate of prepayment and refinancing of mortgages may also be affected by changes in home values, ease of the refinancing process and local economic conditions.

Credit risk reflects the chance that a Fund may not receive all or part of its principal because the issuer or credit enhancer has defaulted on its obligations. Obligations issued by U.S. government-related entities are guaranteed as to the payment of principal and interest, but are not backed by the full faith and credit of the U.S. government. The performance of private label mortgage-backed securities, issued by private institutions, is based on the financial health of those institutions.

To the extent that mortgages underlying a mortgage-related security are so-called "subprime mortgages" (i.e., mortgages granted to borrowers whose credit history is not sufficient to obtain a conventional mortgage), the risk of default is higher. Subprime mortgages also have higher serious delinquency rates than prime loans.

### **Risk of Investing in Large-Capitalization Companies**

Large-capitalization companies may be less able than smaller capitalization companies to adapt to changing market conditions. Large-capitalization companies may be more mature and subject to more limited growth potential compared with smaller capitalization companies. Over certain periods, the performance of large-capitalization companies has trailed the performance of overall markets.

### **Risk of Investing in Small-Capitalization Companies**

Stock prices of small-capitalization companies may be more volatile than those of larger companies and therefore a Fund's share price may be more volatile than those of funds that invest a larger percentage of their assets in stocks issued by large- capitalization or mid-capitalization companies. Stock prices of small-capitalization companies are generally more vulnerable than those of large-capitalization or mid-capitalization companies to adverse business and economic developments. The stocks of small-capitalization companies may be thinly traded, making it difficult for the Funds to buy and sell them. In addition, small-capitalization companies are typically less financially stable than larger, more established companies and may depend on a small number of essential personnel, making them more vulnerable to loss of personnel. Small-capitalization companies also normally have less diverse product lines than those of large-capitalization companies and are more susceptible to adverse developments concerning their products.

### **Risk of Investing in Mid-Capitalization Companies**

Stock prices of mid-capitalization companies may be more volatile than those of large-capitalization companies, therefore impacting the value of a Fund's investment in mid-capitalization companies. Stock prices of mid-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business or economic developments, and the stocks of mid-capitalization companies may be less liquid, making it more difficult for a Fund to buy and sell them. In addition, mid-capitalization companies generally have less diverse product lines than large-capitalization companies and are more susceptible to adverse developments related to their products.

### **Risk of Preferred Stock**

A Fund that invests in preferred stock may be exposed to certain risks not typically encountered by investing in common stock. Many preferred stocks pay dividends at a fixed rate, therefore, a preferred stock's market price may be sensitive to changes in interest rates in a manner similar to bonds — that is, as interest rates rise, the value of the preferred stock is likely to decline. Many preferred stocks also allow holders to convert the preferred stock into common stock of the issuer; the market price of such preferred stocks can be sensitive to changes in the value of the issuer's common stock. In addition, the ability of an issuer of preferred stock to pay dividends may deteriorate or the issuer may default (i.e., fail to make scheduled dividend payments on the preferred stock or scheduled interest payments on other obligations of the issuer), which would negatively affect the value of any such holding. Dividend payments on a preferred stock typically must be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay a dividend (even if such dividends have accrued), and may suspend payment of dividends on preferred stock at any time. Preferred stock is also subject to market volatility and the price of preferred stock will fluctuate based on market demand. Preferred stock often has a call feature which allows the issuer to redeem the security at its discretion. Therefore, preferred stocks having a higher than average yield may be called by the issuer, which may cause a decrease in the yield of a fund that invested in the preferred stock.

## **Risk of Investing in the U.S.**

Certain Funds may have significant exposure to U.S. issuers. A decrease in imports or exports, changes in trade regulations, tariffs or the threat of tariffs, and/or an economic recession in the U.S. may have a material adverse effect on the U.S. economy and the securities listed on U.S. exchanges. Proposed and adopted policy and legislative changes in the U.S. are changing many aspects of financial and other regulation and may have a significant effect on the U.S. markets generally, as well as the value of certain securities. In addition, a continued rise in the U.S. public debt level or U.S. austerity measures may adversely affect U.S. economic growth and the securities to which a Fund has exposure.

## **Short Sales Risk**

Short sales are transactions in which a Fund sells a security it does not own to obtain an inverse exposure to that security. To complete such a transaction, a Fund must borrow the security to make delivery to the buyer. A Fund then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the applicable Fund. Until the security is replaced, a Fund is required to pay to the lender amounts equal to any dividend which accrues during the period of the loan. To borrow the security, a Fund also may be required to pay a premium, which would increase the cost of the security sold. There will also be other costs associated with short sales.

A Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. A Fund will realize a gain if the security declines in price between those dates. This result is the opposite of what one would expect from a cash purchase of a long position in a security. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or amounts in lieu of interest a Fund may be required to pay in connection with a short sale, and will be also decreased by any transaction or other costs.

Until a Fund replaces a borrowed security in connection with a short sale, the Fund will (a) identify cash or liquid assets at such a level that such assets plus any amount deposited with the broker as collateral will equal the current value of the security sold short or (b) otherwise cover its short position in accordance with applicable law.

There is no guarantee that a Fund will be able to close out a short position at any particular time or at an acceptable price. During the time that a Fund is short a security, it is subject to the risk that the lender of the security will terminate the loan at a time when the Fund is unable to borrow the same security from another lender. If that occurs, a Fund may be “bought in” at the price required to purchase the security needed to close out the short position, which may be a disadvantageous price.

## **Total Return Swaps**

Total return swaps give a Fund the right to receive the appreciation in the value of a specified security, index or other instrument in return for a fee paid to the counterparty, which will typically be an agreed upon interest rate. Total return swaps can also be used to replicate an exposure to a short position in an asset class where a Fund has the right to receive the depreciation in value of a specified security, index or other instrument (“inverse swaps”). If the underlying asset in a total return swap declines in value (or increases in value, if an inverse swap) over the term of the swap, a Fund may also be required to pay the dollar value of that decline (or increase, if an inverse swap) to the counterparty.

A Fund may use total return swaps to replicate an Underlying Index Component’s performance. These total return swaps would reference the performance of an security that is an Underlying Index Component or a ETF, ETN or ETV (each an “exchange-traded issuer”) that is an Underlying Index Component, an index on which such an exchange-traded issuer is based, or one or more of the portfolio constituents of such exchange-traded issuer.

The number of counterparties may vary over time. During periods of credit market turmoil or when the aggregate swap notional amount needed by a Fund is relatively small given the level of a Fund’s net assets, the Fund may have only one or a few counterparties. In such circumstances, a Fund will be exposed to greater counterparty risk. Moreover, a Fund may be unable to enter into any total return swap on terms that make economic sense (e.g., they may be too costly). To the extent that a Fund is unable to enter into any total return swaps, it may not be able to meet its investment objective. If a Fund is unable to enter into total return swaps, it may engage in other types of derivative transactions, although the added costs and lower correlation of these other derivatives may adversely affect a Fund’s ability to meet its investment objective.

## Tracking Error Risk

A Fund's performance may not match its respective Underlying Index during any period of time. Although each Fund attempts to track the performance of its Underlying Index, the Fund may not be able to duplicate its exact composition or return for any number of reasons, including but not limited to the risk that the strategies used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results, liquidity risk and new fund risk, as well as the incurring of Fund expenses, which the Underlying Index does not incur. For example, a Fund may not be able to invest in certain securities included in its Underlying Index due to restrictions or limitations imposed, by or a lack of liquidity in, certain countries and stock exchanges in which such securities trade, or may be delayed in purchasing or selling securities included in the Underlying Index. To the extent a Fund intends to engage principally in cash transactions for the creation and redemption of Shares, such practice will affect the Fund's ability to match the return of its Underlying Index. In addition, tracking error may be created by the use of underlying ETFs or derivative instruments to track Underlying Index Components. In addition, tracking error may occur because of differences in timing of the accrual or the valuation of dividends or interest or tax gains or losses.

To the extent a Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on local foreign markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the Fund's ability to track the Underlying Index may be adversely affected. To the extent that the value of assets denominated in foreign currencies is converted into U.S. dollars using exchange rates selected by the Advisor that differ from the exchange rates selected by the index provider for use in calculating the Underlying Index, the Fund's ability to track the Underlying Index may be adversely impacted. In addition, the Fund may not be able to invest in certain securities included in the Underlying Index due to restrictions or limitations imposed by or a lack of liquidity in certain countries and stock exchanges in which such securities trade or may be delayed in purchasing or selling securities included in the Underlying Index. In addition, if the Fund utilizes depositary receipts and/or derivative instruments, its return may not correlate as well with the Underlying Index as would be the case if the Fund purchased all the securities in the Underlying Index directly.

## MANAGEMENT

**Board Responsibilities.** The business of the Trust is managed under the direction of the Board. The Board has considered and approved contracts, as described herein, under which certain companies provide essential management and administrative services to the Trust. The day-to-day business of the Trust, including the day-to-day management of risk, is performed by the service providers of the Trust, such as the Advisor, Distributor and Administrator. The Board is responsible for overseeing the Trust's service providers and, thus, has oversight responsibility with respect to the risk management performed by those service providers. Risk management seeks to identify and eliminate or mitigate the potential effects of risks such as events or circumstances that could have material adverse effects on the business, operations, shareholder services, investment performance or reputation of the Trust or the Funds. The Board's role in risk management oversight begins before the inception of an investment portfolio, at which time the Advisor presents the Board with information concerning the investment objectives, strategies and risks of the investment portfolio. Additionally, the Advisor provides the Board with an overview of, among other things, the firm's investment philosophy, brokerage practices and compliance infrastructure. Thereafter, the Board oversees the risk management of the investment portfolio's operations, in part, by requesting periodic reports from and otherwise communicating with various personnel of the service providers, including the Trust's Chief Compliance Officer and the independent registered public accounting firm of the Trust. The Board and, with respect to identified risks that relate to its scope of expertise, the Audit Committee of the Board, oversee efforts by management and service providers to manage risks to which the Funds may be exposed.

Under the overall supervision of the Board and the Audit Committee (discussed in more detail below), the service providers to the Trust employ a variety of processes, procedures and controls to identify risks relevant to the operations of the Trust and the Funds to lessen the probability of their occurrence and/or to mitigate the effects of such events or circumstances if they do occur. Each service provider is responsible for one or more discrete aspects of the Trust's business and, consequently, for managing the risks associated with that activity.

The Board is responsible for overseeing the nature, extent and quality of the services provided to the Funds by the Advisor and receives information about those services at its regular meetings. In addition, on at least an annual basis, in connection with its consideration of whether to renew the Advisory Agreement with the Advisor, the Board receives detailed information from the Advisor. Among other things, the Board regularly considers the Advisor's adherence to each Fund's investment restrictions and compliance with various policies and procedures of the Trust and with applicable securities regulations. The Board also reviews information about each Fund's performance and investments.

The Trust's Chief Compliance Officer meets regularly with the Board to review and discuss compliance and other issues. At least annually, the Trust's Chief Compliance Officer provides the Board with a report reviewing the adequacy and effectiveness of the Trust's policies and procedures and those of its service providers, including the Advisor. The report addresses the operation of the policies and procedures of the Trust and each service provider since the date of the last report, material changes to the policies and procedures since the date of the last report, any recommendations for material changes to the policies and procedures, and material compliance matters since the date of the last report.

The Board receives reports from the Trust's service providers regarding operational risks, portfolio valuation and other matters. Annually, the independent registered public accounting firm reviews with the Audit Committee its audit of the financial statements of the Funds, focusing on major areas of risk encountered by the Trust and noting any significant deficiencies or material weaknesses in the Trust's internal controls.

The Board recognizes that not all risks that may affect the Funds can be identified, that it may not be practical or cost-effective to eliminate or mitigate certain risks, that it may be necessary to bear certain risks (such as investment-related risks) to achieve each Fund's goals, and that the processes, procedures and controls employed to address certain risks may be limited in their effectiveness. Moreover, despite the periodic reports the Board receives and the Board's discussions with the service providers to the Trust, it may not be made aware of all of the relevant information of a particular risk. Most of the Trust's investment management and business affairs are carried out by or through the Advisor and other service providers, each of which has an independent interest in risk management but whose policies and the methods by which one or more risk management functions are carried out may differ from the Trust's and each other's in the setting of priorities, the resources available or the effectiveness of relevant controls. As a result of the foregoing and other factors, the Board's risk management oversight is subject to substantial limitations.

Additionally, as required by Rule 22e-4 under the 1940 Act, the Trust has implemented a written liquidity risk management program and related procedures ("Liquidity Program") that are reasonably designed to assess and manage the Funds' "liquidity risk" (defined by the SEC as the risk that a Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund). The Liquidity Program is reasonably designed to assess and manage the Funds' liquidity risk. The Board, including a majority of the Independent Trustees, approved the designation of IndexIQ Advisors as the Liquidity Program's Administrator. The Board will review, no less frequently than annually, a written report prepared by the Liquidity Program's Administrator that addresses the operation of the Liquidity Program and assesses its adequacy and effectiveness of implementation.

The Board also benefits from other risk management resources and functions within New York Life, such as its risk management personnel and internal auditor department. The Board recognizes that it is not possible to identify all of the risks that may affect a Fund or to develop processes and controls to mitigate or eliminate all risks and their possible effects, and that it may be necessary to bear certain risks (such as investment risks) to achieve each Fund's investment objectives. The Board may, at any time and in its discretion, change the manner in which it conducts risk oversight.

**Members of the Board and Officers of the Trust.** Set forth below are the names, years of birth, position with the Trust, term of office, portfolios supervised and the principal occupations and other directorships for a minimum of the last five years of each of the persons currently serving as members of the Board and as Executive Officers of the Trust. Also included below is the term of office for each of the Executive Officers of the Trust. The members of the Board serve as Trustees for the life of the Trust or until retirement, removal, or their office is terminated pursuant to the Trust's Declaration of Trust.

Paul D. Schaeffer, an Independent Trustee (as defined below), is Chair of the Board. Four of the Trustees, Mr. Schaeffer, Lofton Holder, Michael A. Pignataro and Michelle A. Kinch, and their immediate family members have no affiliation or business connection with the Advisor or the Funds' principal underwriter or any of their affiliated persons and do not own any stock or other securities issued by the Advisor or the Funds' principal underwriter. These Trustees are not "interested persons" of the Trust and are referred to herein as "Independent Trustees." Kirk C. Lehneis (the "Interested Trustee") is an interested person of the Trust as that term is defined under Section 2(a)(19) of the 1940 Act because of his affiliation with the Advisor.

There is an Audit Committee and a Nominating Committee of the Board, each of which is chaired by an Independent Trustee and comprised solely of Independent Trustees. The chair for each Committee is responsible for running the Committee meeting, formulating agendas for those meetings, and coordinating with management to serve as a liaison between the Independent Trustees and management on matters within the scope of the responsibilities of such Committee as set forth in its Board-approved charter. The Board has determined that this leadership structure is appropriate given the specific characteristics and circumstances of the Funds. The Board made this determination in consideration of, among other things, the fact that the Independent Trustees constitute a majority of the Board, the assets under management of the Funds, the number of portfolios overseen by the Board and the total number of trustees on the Board.

<i>Independent Trustees</i>					
<b>Name and Year of Birth<sup>(1)</sup></b>	<b>Position(s) Held with Trust</b>	<b>Term of Office and Length of Time Served<sup>(2)</sup></b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Portfolios in Fund Complex Overseen by Trustee<sup>(3)</sup></b>	<b>Other Directorships Held by Trustee During Past 5 Years</b>
Lofton Holder, 1964	Trustee	Since June 2022	Retired; formerly, Managing Partner and Co-Founder, Pine Street Alternative Asset Management (2011 – 2019).	29	Board Member, Golub Capital BDC, Inc., Golub Capital BDC 3, Inc., and Golub Capital Direct Lending Corporation (each, a business development company) (2021 – present); Board Member, Manning & Napier (investment manager) (2021 – present).
Michael A. Pignataro, 1959	Trustee	Since April 2015	Retired; formerly, Director, Credit Suisse Asset Management (2001 to 2012); and Chief Financial Officer, Credit Suisse Funds (1996 to 2013).	29	The New Ireland Fund, Inc. (closed-end fund) (2015 to 2023).
Paul D. Schaeffer, 1951	Trustee Chair of the Board	Since April 2015 Since March 2023	President, ASP (dba Aspiring Solution Partners) (financial services consulting) (2013 to present); Consultant and Executive Advisor, Aquiline Capital Partners LLC (private equity investment) (2014 to present).	29	Management Board Member, RIA in a Box LLC (financial services consulting) (2018 to 2021); Context Capital Funds (mutual fund trust) (2 Portfolios) (2014 to 2018); Management Board Member, Altegris Investments, LLC (registered broker-dealer) (2016 to 2018); Management Board Member, AssetMark Inc. (financial services consulting) (2016 to 2017); PopTech! (conference operator) (2012 to 2016); Board Member, Pathways Core Training (nonprofit) (2019 to present); Board Member, Center for Collaborative Investigative Journalism (non-profit) (2020-present).
Michelle A. Kinch, 1975	Trustee	Since June 2022	Visiting Scholar, Harvard Business School (2020 to present); Visiting Assistant Professor of Operations Management, Boston University Questrom School of Business (2020 to present); Business researcher and consultant, self-employed (2013 – 2020).	29	U.S. Charitable Gift Trust (public charity offering donor-advised funds and trust products) (2017 – present); Pathstone (investment advisory firm offering comprehensive family office services) (2022-present).

<b>Interested Trustee</b>					
Kirk C. Lehneis, 1974 <sup>(4)</sup>	President	Since January 2018	Chief Operating Officer and Senior Managing Director, New York Life Investment Management LLC (since 2016); Chief Executive Officer, IndexIQ Advisors LLC (since 2018); Chairman of the Board, NYLIM Service Company LLC (since September 2017); President, MainStay DefinedTerm Municipal Opportunities Fund, MainStay Funds, MainStay Funds Trust, and MainStay VP Funds Trust (since September 2017); President, MainStay CBRE Global Infrastructure Megatrends Fund (since 2021).	29	None.

<b>Officers</b>			
<b>Name and Year of Birth<sup>(1)</sup></b>	<b>Position(s) Held with Trust</b>	<b>Term of Office and Length of Time Served<sup>(2)</sup></b>	<b>Principal Occupation(s) During Past 5 Years</b>
Jack R. Benintende, 1964	Vice President	Since March 2023	Chief Operating Officer, IndexIQ Advisors LLC (since February 2023), Treasurer and Principal Financial and Accounting Officer, MainStay Funds (since 2007) and MainStay Funds Trust (since 2009).
Adefolahan Oyefeso, 1974	Treasurer, Principal Financial Officer and Principal Accounting Officer	Since April 2018	Director of Operations & Finance, IndexIQ Advisors (2015 to present); Director of the Fund Administration Client Service Department at The Bank of New York Mellon (2007 to 2015).

Matthew V. Curtin, 1982	Secretary and Chief Legal Officer	Since June 2015	Chief Legal Officer, IndexIQ Advisors LLC (since 2015), Chief Compliance Officer, IndexIQ ETF Trust and IndexIQ Active ETF Trust (June 2015 to January 2017); Associate General Counsel, New York Life Insurance Company (since 2015).
Kevin M. Gleason, 1966	Chief Compliance Officer	Since June 2022	Chief Compliance Officer, IndexIQ ETF Trust and IndexIQ Active ETF Trust, The MainStay Funds, MainStay Funds Trust, MainStay MacKay DefinedTerm Municipal Opportunities Fund, MainStay CBRE Global Infrastructure Megatrends Fund and MainStay VP Funds Trust (since 2022); Senior Vice President, Voya Investment Management, LLC and Chief Compliance Officer, Voya Family of Funds (2012 to 2022).

- (1) The address of each Trustee or officer is c/o IndexIQ Advisors, 51 Madison Avenue, New York, New York 10010.
- (2) Trustees and Officers serve until their successors are duly elected and qualified.
- (3) The Fund is part of a “fund complex” as defined in the 1940 Act. The fund complex includes all operational open-end funds (including all of their portfolios) advised by the Advisor. As of the date of this SAI, the fund complex consists of the Trust’s funds and the funds of IndexIQ Active ETF Trust.
- (4) Mr. Lehneis is an “interested person” of the Trust (as that term is defined in the 1940 Act) because of his affiliations with the Advisor.

The Board met five times during the fiscal year ended April 30, 2023.

#### **Description of Standing Board Committees**

**Audit Committee.** The principal responsibilities of the Audit Committee are the appointment, compensation and oversight of the Trust’s independent auditors, including the resolution of disagreements regarding financial reporting between Trust management and such independent auditors. The Audit Committee’s responsibilities include, without limitation, to (i) oversee the accounting and financial reporting processes of the Trust and its internal control over financial reporting and, as the Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party service providers; (ii) oversee the quality and integrity of each funds’ financial statements and the independent audits thereof; (iii) oversee, or, as appropriate, assist Board oversight of, the Trust’s compliance with legal and regulatory requirements that relate to the Trust’s accounting and financial reporting, internal control over financial reporting and independent audits; (iv) approve prior to appointment the engagement of the Trust’s independent auditors and, in connection therewith, to review and evaluate the qualifications, independence and performance of the Trust’s independent auditors; (v) oversee the Trust’s policies and practices regarding the valuation of investments and computation of the Fund’s net asset value; and (vi) act as a liaison between the Trust’s independent auditors and the full Board. The Board has adopted a written charter for the Audit Committee. All of the Independent Trustees serve on the Trust’s Audit Committee. During the fiscal year ended April 30, 2023, the Audit Committee met three times.

**Nominating Committee.** The Nominating Committee has been established to: (i) assist the Board in matters involving mutual fund governance and industry practices; (ii) select and nominate candidates for appointment or election to serve as Trustees who are not “interested persons” of the Trust or its Advisor or distributor (as defined by the 1940 Act); and (iii) advise the Board of Trustees on ways to improve its effectiveness. All of the Independent Trustees serve on the Nominating Committee. As stated above, each Trustee holds office for an indefinite term until the occurrence of certain events. In filling Board vacancies, the Nominating Committee will consider nominees recommended by shareholders. Nominee recommendations should be submitted to the Trust at its mailing address stated in the Fund’s Prospectus and should be directed to the attention of the IndexIQ ETF Trust Nominating Committee. During the fiscal year ended April 30, 2023, the Nominating Committee met one time.

## Individual Trustee Qualifications

The Trust has concluded that each of the Trustees should serve on the Board because of their ability to review and understand information about the Trust and the Funds provided to them by management, to identify and request other information they may deem relevant to the performance of their duties, to question management and other service providers regarding material factors bearing on the management and administration of the Funds, and to exercise their business judgment in a manner that serves the best interests of each funds' shareholders. The Trust has concluded that each of the Trustees should serve as a Trustee based on their own experience, qualifications, attributes and skills as described below.

The Trust has concluded that Mr. Holder should serve as Trustee of the Trust because of his experience in senior executive roles in the financial services industry, and in particular, as co-founder and managing partner of Pine Street Alternative Asset Management LLC.

The Trust has concluded that Mr. Pignataro should serve as Trustee of the Trust and as an audit committee financial expert because of the experience he has gained as a businessman and, in particular, his prior service in the financial services industry as a Director of Credit Suisse Asset Management and Chief Financial Officer of the Credit Suisse Funds.

The Trust has concluded that Mr. Schaeffer should serve as Trustee of the Trust because of his experience in the financial services industry, including his experience as a director of and service provider to investment companies.

The Trust has concluded that Ms. Kinch should serve as Trustee of the Trust because of the experience she has gained as an academic and researcher in the fields of business and operations and technology management and her extensive experience in the financial services industry as a consultant and executive.

The Trust has concluded that Mr. Lehneis should serve as Trustee of the Trust because of the experience he has gained as President of the MainStay Funds, Chief Operating Officer of New York Life Investment Management LLC, and President of IndexIQ Advisors, his knowledge of and experience in the financial services industry, and the experience he has gained serving as Chairman of the Board of New York Life Investment Management LLC since 2017.

## Trustee Ownership of Shares

Listed below for each Trustee is a dollar range of securities in the Trust beneficially owned together with the aggregate dollar range of equity securities in all registered investment companies overseen by each Trustee that are in the same family of investment companies as the Trust, as of December 31, 2022.

Name of Trustee	Dollar Range of Equity Securities in the Funds	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustees in Family of Investment Companies <sup>(1)</sup>
Lofton Holder	None	None
Michael A. Pignataro	None	None
Paul D. Schaeffer	IQ Hedge Multi-Strategy Tracker ETF \$10,001 – \$50,000	\$10,001 – \$50,000
Michelle A. Kinch	None	None
Kirk C. Lehneis <sup>(2)</sup>	IQ FTSE International Equity Currency Neutral ETF \$1 – \$10,000	\$1 – \$10,000

(1) The fund complex includes all operational open-end funds (including all of their portfolios) advised by the Advisor and any funds that have an investment advisor that is an affiliated person of the Advisor.

(2) Mr. Lehneis is an "interested person" of the Trust (as that term is defined in the 1940 Act) because of his affiliations with the Advisor.

## Board Compensation

Effective January 1, 2023, each Independent Trustee receives from the Fund Complex, either directly or indirectly, an annual retainer of \$70,000. Prior to January 1, 2023, each Independent Trustee received from the Fund Complex, either directly or indirectly, an annual retainer of \$60,000. Prior to March 30, 2023, as the Chair of both the Audit Committee and Valuation Committee, Mr. Pignataro received a total annual stipend of \$20,000, which represents \$10,000 for each committee<sup>(1)</sup>; and as Nominating Committee Chair, Mr. Schaeffer received an annual stipend of \$10,000. Effective March 30, 2023, as Chair of the Audit Committee, Mr. Pignataro receives an annual stipend of \$10,000; and as Chair of the Nominating Committee, Ms. Kinch receives an annual stipend of \$10,000. In addition, the Independent Trustees are reimbursed for all reasonable travel expenses relating to their attendance at the Board Meetings. The following table sets forth certain information with respect to the estimated compensation of each Trustee for the fiscal year ended April 30, 2023:

(1) Effective March 30, 2023, the Valuation Committee was dissolved.



<b>Name and Position</b>	<b>Pension or Retirement Benefits Accrued As Part of Trust Expenses</b>	<b>Estimated Annual Benefits Upon Retirement</b>	<b>Total Compensation From Trust and Fund Complex Paid to Trustees<sup>(1)</sup></b>
Lofton Holder, Trustee <sup>(2)</sup>	N/A	N/A	\$ 59,167
Michael A. Pignataro, Trustee	N/A	N/A	\$ 83,333
Paul D. Schaeffer, Trustee	N/A	N/A	\$ 73,333
Michelle A. Kinch, Trustee <sup>(2)</sup>	N/A	N/A	\$ 60,000
Kirk C. Lehneis, Trustee, President and Principal <sup>(3)</sup>	None	None	None

(1) The fund complex includes all operational open-end funds (including all of their portfolios) advised by the Advisor. As of the date of this SAI, the fund complex consists of the Trust's funds and the funds of IndexIQ Active ETF Trust.

(2) Mr. Holder and Ms. Kinch became Trustees on June 22, 2022.

(3) Mr. Lehneis is an "interested person" of the Trust (as that term is defined in the 1940 Act) because of his affiliations with the Advisor.

### **Code of Ethics**

The Trust, its Advisor and principal underwriter have each adopted a code of ethics under Rule 17j-1 of the 1940 Act that permit personnel subject to their particular codes of ethics to invest in securities, including securities that may be purchased or held by a Fund.

### **PROXY VOTING POLICIES**

It is the policy of the Funds that proxies received by the Funds are voted in the best interest of the Funds' shareholders. For purposes of this Policy, the best interest of shareholders means the shareholders' best economic interest over the long-term (e.g., the common interest that all shareholders have in seeing the value of a common investment increase over time). The Board has delegated responsibility for decisions regarding proxy voting for securities held by each Fund to the Advisor. The Advisor will vote such proxies in accordance with its proxy policies and procedures, a summary of which is included in Appendix A to this Statement of Additional Information. The Board will periodically review each Fund's proxy voting record.

The Trust is required to disclose annually the Funds' complete proxy voting record on Form N-PX covering the period July 1 through June 30 and file it with the SEC no later than August 31 of each year. The Fund's Form N-PX will be available at no charge upon request by calling 1-888-474-7725. The most recent Form N-PX is available on the Funds' website at [newyorklifeinvestments.com/etf](http://newyorklifeinvestments.com/etf) or on the SEC's website at [www.sec.gov](http://www.sec.gov).

### **CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES**

Although the Trust does not have information concerning the beneficial ownership of shares held in the names of Depository Trust Company ("DTC") participants ("DTC Participants"), as of July 31, 2023, the name and percentage ownership of each DTC Participant that owned of record 5% or more of the outstanding shares of a Fund is set forth in the table below.

<b>Fund Name</b>	<b>DTC Participants</b>	<b>Percentage of Ownership (rounded to the nearest whole percentage)</b>
<b>IQ Hedge Multi-Strategy Tracker ETF</b>	Morgan Stanley Smith Barney LLC 1300 Thames St. 6 <sup>th</sup> Floor Baltimore, MD 21231	32.97%
	National Financial Services LLC 499 Washington Blvd. Jersey City, NJ 07310	12.86%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	10.88%
	TD Ameritrade 4700 Alliance Gateway Freeway Fort Worth, TX 76177	8.80%

<b>IQ Merger Arbitrage ETF</b>	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	22.12%
	The Northern Trust Company 801 S. Canal St. Attn: Capital Structures C1N Chicago, IL 60607	17.33%
	National Financial Services LLC 499 Washington Blvd. Jersey City, NJ 07310	10.22%
	Morgan Stanley Smith Barney LLC 1300 Thames St 6 <sup>th</sup> Floor Baltimore, MD 21231	6.65%
	SSB&T CO One Lincoln Street Boston, MA 02111	6.27%
	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	6.17%
	LPL Financial Corporation 9785 Towne Centre Drive San Diego, CA 92121-1968	5.33%
<b>IQ 500 International ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	88.07%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	7.21%
<b>IQ Candriam U.S. Mid Cap Equity ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	95.50%
<b>IQ Candriam U.S. Large Cap Equity ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	81.72%
	Euroclear Bank 28 Liberty St., 33 <sup>rd</sup> Fl. New York, NY 10005	11.32%
<b>IQ Candriam International Equity ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	89.79%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	5.14%
<b>IQ U.S. Large Cap ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	98.44%
<b>IQ U.S. Small Cap ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	76.32%
	LPL Financial Corporation 9785 Towne Centre Drive San Diego, CA 92121-196	12.08%

<b>IQ CBRE NextGen Real Estate ETF</b>	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	23.36%
	National Financial Services LLC 499 Washington Blvd. Jersey City, NJ 07310	13.11%
	Morgan Stanley Smith Barney LLC 1300 Thames St. 6 <sup>th</sup> Floor Baltimore, MD 21231	11.33%
	Merrill Lynch, Pierce, Fenner & Smith Inc. 4804 Deerlake Dr. E. Jacksonville, FL 32246	9.81%
	TD Ameritrade 4700 Alliance Gateway Freeway Fort Worth, TX 76177	7.88%
	LPL Financial Corporation 9785 Towne Centre Drive San Diego, CA 92121-1968	7.66%
	Wells Clearing, LLC 2801 Market Street St. Louis, MO 63103	6.18%
<b>IQ FTSE International Equity Currency Neutral ETF</b>	JP Morgan Chase Bank, Nat'l Association 14201 Dallas Parkway Dallas, TX 75254	29.27%
	Morgan Stanley Smith Barney LLC 1300 Thames St. 6 <sup>th</sup> Floor Baltimore, MD 21231	12.02%
	UBS Financial Services 1000 Harbour Blvd. Weehawken, NJ 07086	10.91%
	LPL Financial Corporation 9785 Towne Centre Drive San Diego, CA 92121-1968	10.74%
	National Financial Services LLC 499 Washington Blvd. Jersey City, NJ 07310	6.36%
	Raymond James & Associates, Inc. 880 Carilion Parkway Saint Petersburg, FL 33716	5.72%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	5.35%
<b>IQ U.S. Mid Cap R&amp;D Leaders ETF</b>	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	95.00%
<b>IQ U.S. Large Cap R&amp;D Leaders ETF</b>	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	95.00%
<b>IQ Global Equity R&amp;D Leaders ETF</b>	TD Ameritrade 4700 Alliance Gateway Freeway Fort Worth, TX 76177	65.28%
	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	29.23%

<b>IQ Global Resources ETF</b>	LPL Financial Corporation 9785 Towne Centre Drive San Diego, CA 92121-1968	16.02%
	Wells Clearing, LLC 2801 Market Street St. Louis, MO 63103	14.96%
	Merrill Lynch, Pierce, Fenner & Smith Inc. 4804 Deerlake Dr. E. Jacksonville, FL 32246	14.54%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	13.55%
	Pershing LLC One Pershing Plaza Jersey City, NJ 07399	9.27%
	National Financial Services LLC 499 Washington Blvd. Jersey City, NJ 07310	8.37%
	Morgan Stanley Smith Barney LLC 1300 Thames St 6 <sup>th</sup> Floor Baltimore, MD 21231	8.30%
<b>IQ Real Return ETF</b>	Bank of America 200 North College Street Charlotte, NC 28255	43.54%
	Merrill Lynch, Pierce, Fenner & Smith Inc. 4804 Deerlake Dr. E. Jacksonville, FL 32246	9.42%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	7.99%
	Citibank, N.A. 3800 Citibank Center Building B/1 <sup>st</sup> Floor/Zone 8 Tampa, FL 33610-9122	6.56%
	US Bancorp 800 Nicollet Ave. Minneapolis, MN 55402	6.23%
	TD Ameritrade 4700 Alliance Gateway Freeway Fort Worth, TX 76177	5.66%
<b>IQ Clean Oceans ETF</b>	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	84.44%
	Bank of America 200 North College Street Charlotte, NC 28255	6.69%
<b>IQ Cleaner Transport ETF</b>	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	63.33%
	TD Ameritrade 4700 Alliance Gateway Freeway Fort Worth, TX 76177	11.66%
	J.P. Morgan Securities LLC 500 Stanton Christiana Road, 2 <sup>nd</sup> Fl. Newark, DE 19713-2107	10.03%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	9.26%
<b>IQ Engender Equality ETF</b>	The Bank of New York Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	88.89%

<b>IQ Healthy Hearts ETF</b>	The Bank of NY Mellon 535 William Penn Place Suite 153-0400 Pittsburgh, PA 15259	66.35%
	J.P. Morgan Securities LLC 500 Stanton Christiana Road, 2 <sup>nd</sup> Fl. Newark, DE 19713-2107	15.52%
	Charles Schwab & Co., Inc. 2423 E Lincoln Drive Phoenix, AZ 85016-1215	7.73%

The Advisor is an affiliate of New York Life Investment Management LLC (“NYLIM”) and of New York Life Insurance & Annuity Corporation (“NYLife”). As of July 31, 2023, NYLIM and NYLife owned Shares of the Funds as set forth below. NYLIM and NYLife own Shares of the Funds on their own behalf or on behalf of funds or accounts managed by NYLIM or NYLife.

#### **New York Life Investment Management LLC**

<b>Fund Name</b>	<b>Percentage of Ownership (rounded to the nearest whole percentage)</b>
IQ 500 International ETF	88.07%
IQ Candriam International Equity ETF	89.86%
IQ Candriam U.S. Mid Cap Equity ETF	99.42%
IQ Candriam U.S. Large Cap Equity ETF	81.72%
IQ FTSE International Equity Currency Neutral ETF	29.27%
IQ U.S. Large Cap ETF	98.44%
IQ U.S. Small Cap ETF	76.32%
IQ U.S. Mid Cap R&D Leaders ETF	95.00%
IQ U.S. Large Cap R&D Leaders ETF	95.00%
IQ U.S. Global Equity R&D Leaders ETF	29.23%

#### **New York Life Insurance & Annuity Corporation**

<b>Fund Name</b>	<b>Percentage of Ownership (rounded to the nearest whole percentage)</b>
IQ Clean Oceans ETF	84.44%
IQ Cleaner Transport ETF	63.33%
IQ Engender Equality ETF	88.89%
IQ Healthy Hearts ETF	66.35%

#### **MANAGEMENT SERVICES**

The following information supplements and should be read in conjunction with the section in the Prospectus entitled “Management.”

##### **Investment Advisor**

IndexIQ Advisors LLC, the Advisor, serves as investment advisor to the Funds and has overall responsibility for the general management and administration of the Trust, pursuant to the Investment Advisory Agreement between the Trust and the Advisor (the “Advisory Agreement”). Under the Advisory Agreement, the Advisor, subject to the supervision of the Board, provides an investment program for each Fund and is responsible for the investment of the Fund’s assets in conformity with the stated investment objective and principal investment strategies, and subject to the investment policies, of each Fund. The Advisor is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each of the Funds. The Advisor also arranges for the provision of distribution, transfer agency, custody, administration and all other services necessary for the Funds to operate.

Section 15(a) of the 1940 Act requires that all contracts pursuant to which persons serve as investment advisors to investment companies be approved by shareholders. As interpreted, this requirement also applies to the appointment of subadvisors to the Funds. The Advisor and the Funds have obtained an exemptive order (the “Order”) from the SEC permitting the Advisor, on behalf of the Funds and subject to the approval of the Board, including a majority of the Independent Trustees, to hire or terminate unaffiliated subadvisors and to modify any existing or future subadvisory agreement with unaffiliated subadvisors without shareholder approval. This authority is subject to certain conditions. The Funds will notify shareholders and provide them with certain information required by the Order within 90 days of hiring a new subadvisor.

The Advisory Agreement will remain in effect with respect to the Funds from year to year provided such continuance is specifically approved at least annually by (i) the vote of a majority of the Funds’ outstanding voting securities or a majority of the Trustees of the Trust, and (ii) the vote of a majority of the Independent Trustees of the Trust, cast in person at a meeting called for the purpose of voting on such approval.

The Advisory Agreement will terminate automatically if assigned (as defined in the 1940 Act). The Advisory Agreement is also terminable at any time without penalty by the Board of Trustees of the Trust or by vote of a majority of the outstanding voting securities of the Funds on 60 days' written notice to the Advisor or by the Advisor on 60 days' written notice to the Trust.

Pursuant to the Advisory Agreement, the Advisor is entitled to receive a fee, payable monthly in arrears, at the annual rate for each of the Funds based on a percentage of each Fund's average daily net assets as follows:

<b>Fund Name</b>	<b>Management Fee</b>
IQ Hedge Multi-Strategy Tracker ETF	0.75%
IQ Merger Arbitrage ETF	0.75%
IQ 500 International ETF	0.25%
IQ Candriam International Equity ETF	0.15%
IQ Candriam Mid Cap Equity ETF	0.15%
IQ Candriam U.S. Large Cap Equity ETF	0.09%
IQ U.S. Large Cap ETF	0.25%
IQ U.S. Small Cap ETF	0.35%
IQ CBRE NextGen Real Estate ETF	0.60%
IQ FTSE International Equity Currency Neutral ETF	0.19%
IQ U.S. Mid Cap R&D Leaders ETF	0.16%
IQ U.S. Large Cap R&D Leaders ETF	0.14%
IQ Global Equity R&D Leaders ETF	0.18%
IQ Global Resources ETF	0.30%
IQ Real Return ETF	0.29%
IQ Clean Oceans ETF	0.45%
IQ Cleaner Transport ETF	0.45%
IQ Engender Equality ETF	0.45%
IQ Healthy Hearts ETF	0.45%

In consideration of the fees paid with respect to the Fund, the Advisor agrees to pay all expenses of the Trust, except for: (i) brokerage expenses and other expenses (such as stamp taxes) connected with the execution of portfolio transactions or in connection with creation and redemption transactions; (ii) legal fees or expenses in connection with any arbitration, litigation or pending or threatened arbitration or litigation, including any settlements in connection therewith; (iii) compensation and expenses of the Trustees of the Trust who are not officers, directors/trustees, partners or employees of the Advisor or its affiliates (the "Independent Trustees"); (iv) compensation and expenses of counsel to the Independent Trustees; (v) compensation and expenses of the Trust's chief compliance officer; (vi) extraordinary expenses; (vii) distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act; and (viii) the advisory fee payable to the Advisor hereunder. The payment or assumption by the Advisor of any expense of the Trust that the Advisor is not required by this Agreement to pay or assume shall not obligate the Advisor to pay or assume the same or any similar expense of the Trust on any subsequent occasion.

In addition to providing advisory services under the Advisory Agreement, the Advisor also: (i) supervises all non-advisory operations of the Funds; (ii) provides personnel to perform such executive, administrative and clerical services as are reasonably necessary to provide effective administration of the Funds; (iii) arranges for (a) the preparation of all required tax returns, (b) the preparation and submission of reports to existing shareholders, (c) the periodic updating of prospectuses and statements of additional information and (d) the preparation of reports to be filed with the SEC and other regulatory authorities; (iv) maintains the Funds' records; and (v) provides office space and all necessary office equipment and services.

For the last three fiscal years ended April 30, advisory fees paid to the Advisor were as follows:

<b>Fund Name</b>	<b>Commencement of Operations</b>	<b>Fees Paid to the Advisor for the Fiscal Year Ended 2021</b>	<b>Fees Paid to the Advisor for the Fiscal Year Ended 2022</b>	<b>Fees Paid to the Advisor for the Fiscal Year Ended 2023</b>
IQ Hedge Multi-Strategy Tracker ETF	3/25/09	\$ 5,774,948	\$ 6,131,960	\$ 4,938,578
IQ Merger Arbitrage ETF	11/17/09	\$ 5,409,284	\$ 5,245,414	\$ 3,938,187
IQ 500 International ETF	12/13/18	\$ 594,716	\$ 595,795	\$ 471,065
IQ Candriam International Equity ETF	12/17/19	\$ 181,840	\$ 304,082	\$ 284,160
IQ Candriam U.S. Mid Cap Equity ETF	10/25/22	N/A	N/A	\$ 4,203
IQ Candriam U.S. Large Cap Equity ETF	12/17/19	\$ 202,743	\$ 422,002	\$ 347,450
IQ U.S. Large Cap ETF	12/13/17	\$ 664,355	\$ 802,333	\$ 707,412
IQ U.S. Small Cap ETF	5/16/17	\$ 525,573	\$ 738,025	\$ 818,765
IQ CBRE NextGen Real Estate ETF	6/14/11	\$ 294,480	\$ 339,005	\$ 193,468
IQ FTSE International Equity Currency Neutral ETF	7/22/15	\$ 977,173	\$ 1,094,534	\$ 644,706
IQ U.S. Mid Cap R&D Leaders ETF	2/8/22	N/A	\$ 1,780	\$ 6,685
IQ U.S. Large Cap R&D Leaders ETF	2/8/22	N/A	\$ 1,539	\$ 5,983
IQ Global Equity R&D Leaders ETF	2/8/22	N/A	\$ 1,946	\$ 8,085
IQ Global Resources ETF	10/27/09	\$ 166,784	\$ 114,545	\$ 112,234
IQ Real Return ETF	10/27/09	\$ 248,708	\$ 218,978	\$ 33,310
IQ Clean Oceans ETF	10/21/21	N/A	\$ 12,123	\$ 22,251
IQ Cleaner Transport ETF	10/21/21	N/A	\$ 14,755	\$ 23,010
IQ Engender Equality ETF	10/21/21	N/A	\$ 13,984	\$ 24,158
IQ Healthy Hearts ETF	1/14/21	\$ 8,062	\$ 31,456	\$ 33,409

#### Fee Waiver Agreement

The Advisor has entered into a Fee Waiver Agreement with certain Funds under which it has contractually agreed to waive a portion of its management fee equal to a percentage of the average daily net assets of such Funds as set forth below. The agreement will remain in effect permanently unless terminated by the Board of Trustees of the Funds:

<b>Fund Name</b>	<b>Management Fee Waiver</b>
IQ Hedge Multi-Strategy Tracker ETF	0.22%
IQ Real Return ETF	0.06%

For the last three fiscal years ended April 30, the Advisor waived fees as follows:

<b>Fund Name</b>	<b>Commencement of Operations</b>	<b>Fees Waived 2021</b>	<b>Fees Waived 2022</b>	<b>Fees Waived 2023</b>
IQ Hedge Multi-Strategy Tracker ETF	3/25/09	\$ 1,693,984	\$ 1,798,713	\$ 1,448,653
IQ Real Return ETF	10/27/09	\$ 145,079	\$ 122,891	\$ 6,877

#### Expense Limitation Agreement

The Advisor has entered into an Expense Limitation Agreement (“Expense Limitation Agreement”) with certain Funds under which it has agreed to waive or reduce its fees and to assume other expenses of the Funds in an amount that limits “Total Annual Fund Operating Expenses” (excluding interest, taxes, brokerage commissions, dividend payments on short sales, acquired fund fees and expenses, other expenditures which are capitalized in accordance with generally accepted accounting principles, other extraordinary expenses not incurred in the ordinary course of a Fund’s business, and amounts, if any, payable pursuant to a plan adopted in accordance with Rule 12b-1 under the 1940 Act) to not more than the percentage of the average daily net assets of such Funds as set forth below. The Expense Limitation Agreement will remain in effect unless terminated by the Board of Trustees of the Funds.

<b>Fund Name</b>	<b>Expense Limitation</b>
IQ 500 International ETF	0.25%
IQ Candriam International Equity ETF	0.15%
IQ Candriam U.S. Mid Cap Equity ETF	0.15%
IQ Candriam U.S. Large Cap Equity ETF	0.09%
IQ U.S. Large Cap ETF	0.25%
IQ U.S. Small Cap ETF	0.35%
IQ CBRE NextGen Real Estate ETF	0.60%
IQ FTSE International Equity Currency Neutral ETF <sup>(1)</sup>	0.20%
IQ U.S. Mid Cap R&D Leaders ETF	0.16%
IQ U.S. Large Cap R&D Leaders ETF	0.14%
IQ Global Equity R&D Leaders ETF	0.18%
IQ Global Resources ETF	0.30%
IQ Clean Oceans ETF	0.45%

IQ Cleaner Transport ETF	0.45%
IQ Engender Equality ETF	0.45%
IQ Healthy Hearts ETF	0.45%

(1) The Expense Limitation Agreement for IQ FTSE International Equity Currency Neutral ETF expired on August 31, 2022.



For the last three fiscal years ended April 30, the Advisor waived fees and reimbursed expenses as follows:

<b>Fund Name</b>	<b>Commencement of Operations</b>	<b>Fees Waived/ Expenses Reimbursed 2021</b>	<b>Fees Waived/ Expenses Reimbursed 2022</b>	<b>Fees Waived/ Expenses Reimbursed 2023</b>
IQ 500 International ETF	12/13/18	\$ 24,997	\$ 18,831	\$ 22,512
IQ Candriam International Equity ETF	12/17/19	\$ 12,439	\$ 18,164	\$ 22,750
IQ Candriam U.S. Mid Cap Equity ETF	10/25/22	N/A	N/A	\$ 1,044
IQ Candriam U.S. Large Cap Equity ETF	12/17/19	\$ 21,676	\$ 35,366	\$ 46,513
IQ U.S. Large Cap ETF	12/13/17	\$ 27,601	\$ 24,464	\$ 34,403
IQ U.S. Small Cap ETF	5/16/17	\$ 15,291	\$ 16,492	\$ 27,368
IQ CBRE NextGen Real Estate ETF	6/14/11	N/A	N/A	\$ 1,973
IQ FTSE International Equity Currency Neutral ETF <sup>(1)</sup>	7/22/15	\$ 447,510	\$ 492,948	\$ 132,653
IQ U.S. Mid Cap R&D Leaders ETF	2/8/22	N/A	\$ 156	\$ 566
IQ U.S. Large Cap R&D Leaders ETF	2/8/22	N/A	\$ 154	\$ 573
IQ Global Equity R&D Leaders ETF	2/8/22	N/A	\$ 154	\$ 573
IQ Global Resources ETF	10/27/09	N/A	\$ 1,406	\$ 4,658
IQ Real Return ETF	10/27/09	\$ 145,079	\$ 122,891	\$ 6,877
IQ Clean Oceans ETF	10/21/21	N/A	\$ 388	\$ 565
IQ Cleaner Transport ETF	10/21/21	N/A	\$ 456	\$ 544
IQ Engender Equality ETF	10/21/21	N/A	\$ 446	\$ 594
IQ Healthy Hearts ETF	1/14/21	\$ 231	\$ 1,563	\$ 924

(1) The Expense Limitation Agreement for IQ FTSE International Equity Currency Neutral ETF expired on August 31, 2022.

#### Portfolio Managers

The Advisor utilizes a team of investment professionals acting together to manage the assets of the Funds. The team meets regularly to review portfolio holdings and to discuss purchase and sale activity. The team adjusts holdings in the portfolio as they deem appropriate in the pursuit of the Fund's investment objective.

The portfolio managers who are currently jointly and primarily responsible for the day-to-day management of the Funds' portfolios are Greg Barrato and James Harrison.

Greg Barrato joined the Advisor as Vice President in November 2010 and has been Senior Vice President of the Advisor since August 2013 and portfolio manager of the Funds since February 2011. Prior to joining the Advisor, Mr. Barrato served as Head Global Equity Trader and Trader at Lucerne Capital Management, LLC from 2008 to 2010 and as Assistant Trader and Operations Manager at ReachCapital Management, LP from 2004 to 2008. Mr. Barrato is a graduate of the University of Connecticut.

James Harrison has been a member of the portfolio management team of the Advisor since 2015 and has been a Vice President of the Advisor since June 2018. Prior to joining the Advisor, Mr. Harrison served as a New York Stock Exchange member Floor Broker and Equity Sales Trader for Cuttone and Company from 2010 to 2015. Mr. Harrison is a graduate of St. Lawrence University.

#### Other Accounts Managed

The following tables provide additional information about other portfolios or accounts managed by the Funds' portfolio managers as of April 30, 2023.

Total number of other accounts managed by the portfolio managers within each category below and the total assets in the accounts managed within each category below.

<b>Portfolio Manager</b>	<b>NUMBER OF OTHER ACCOUNTS MANAGED AND ASSETS BY ACCOUNT TYPE</b>			<b>NUMBER OF ACCOUNTS AND ASSETS FOR WHICH THE ADVISORY FEE IS BASED ON PERFORMANCE</b>		
	<b>Registered Investment Company (\$mm)</b>	<b>Other Polled Investment Vehicles (\$mm)</b>	<b>Other Accounts (\$mm)</b>	<b>Registered Investment Company (\$mm)</b>	<b>Other Pooled Investment Vehicles (\$mm)</b>	<b>Other Accounts (\$mm)</b>
Greg Barrato	22/\$7,459	0/\$0	0/\$0	0/\$0	0/\$0	0/\$0
James Harrison	20/\$3,052	0/\$0	0/\$0	0/\$0	0/\$0	0/\$0

## **Material Conflicts of Interest**

Because the portfolio managers manage multiple portfolios for multiple clients, the potential for conflicts of interest exists. Each portfolio manager may manage portfolios having substantially the same investment style as the Funds. However, the portfolios managed by a portfolio manager may not have portfolio compositions identical to those of the Funds managed by the portfolio manager due, for example, to specific investment limitations or guidelines present in some portfolios or accounts, but not others. The portfolio managers may purchase securities for one portfolio and not another portfolio, and the performance of securities purchased for one portfolio may vary from the performance of securities purchased for other portfolios. A portfolio manager may place transactions on behalf of other accounts that are directly or indirectly contrary to investment decisions made on behalf of the Fund, or make investment decisions that are similar to those made for the Fund, both of which have the potential to adversely impact the Fund depending on market conditions. For example, a portfolio manager may purchase a security in one portfolio while appropriately selling that same security in another portfolio. The nature of managing accounts for multiple clients may also create a conflict of interest with regard to time available to serve clients. The portfolio managers will devote as much of their time to the activities of each client as they deem necessary and appropriate. In addition, some of these portfolios have fee structures that are or have the potential to be higher than the advisory fees paid by the Funds, which can cause potential conflicts in the allocation of investment opportunities between the Funds and the other accounts. However, the compensation structure for portfolio managers does not generally provide incentive to favor one account over another because that part of a manager's bonus based on performance is not based on the performance of one account to the exclusion of others. There are many other factors considered in determining the portfolio managers' bonus and there is no formula that is applied to weight the factors listed (see "Compensation for the Portfolio Managers"). Program trades created from the portfolio rebalance are typically executed at market on close.

## **Compensation for the Portfolio Managers**

The portfolio managers receive a base pay and an annual bonus incentive based on performance against individual and organizational unit objectives, as well as overall Advisor results. The plan is designed to align manager compensation with investors' goals by rewarding portfolio managers who obtain results consistent with the objectives of the products under the individual's management. In addition, these employees also participate in a long-term incentive program. The long-term incentive plan is eligible to senior level employees and is designed to reward profitable growth in company value. An employee's total compensation package is reviewed periodically to ensure that they are competitive relative to the external marketplace.

## **Ownership of Securities**

As of April 30, 2023, the portfolio managers did not own Shares of the Funds.

## **OTHER SERVICE PROVIDERS**

### **Fund Administrator, Custodian, Transfer Agent and Securities Lending Agent**

The Bank of New York Mellon ("BNY Mellon") serves as the Funds' administrator, custodian, transfer agent and securities lending agent. BNY Mellon's principal address is 240 Greenwich Street, New York, New York 10286. BNY Mellon is the principal operating subsidiary of The Bank of New York Mellon Corporation. Under the Fund Administration and Accounting Agreement, BNY Mellon provides necessary administrative, legal, tax, accounting services, and financial reporting for the maintenance and operations of the Trust and each Fund. In addition, BNY Mellon makes available the office space, equipment, personnel and facilities required to provide such services.

BNY Mellon supervises the overall administration of the Trust and the Funds, including, among other responsibilities, assisting in the preparation and filing of documents required for compliance by the Funds with applicable laws and regulations and arranging for the maintenance of books and records of the Funds. BNY Mellon provides persons satisfactory to the Board to serve as officers of the Trust.

BNY Mellon serves as custodian of the Funds' assets (the "Custodian"). Under the Custody Agreement with the Trust, BNY Mellon maintains in separate accounts cash, securities and other assets of the Trust and the Funds, keeps all necessary accounts and records, and provides other services. BNY Mellon is required, upon order of the Trust, to deliver securities held by BNY Mellon and to make payments for securities purchased by the Trust for the Funds. Under the Custody Agreement, BNY Mellon is also authorized to appoint certain foreign custodians or foreign custody managers for Fund investments outside the U.S.

The Custodian has agreed to (1) make receipts and disbursements of money on behalf of the Funds; (2) collect and receive all income and other payments and distributions on account of each Fund's portfolio investments; (3) respond to correspondence from Fund shareholders and others relating to its duties; and (4) make periodic reports to each Fund concerning the Funds' operations. The Custodian does not exercise any supervisory function over the purchase and sale of securities. The Advisor pays the Custodian fees out of the Advisor's unified management fee.

BNY Mellon serves as transfer agent and dividend paying agent for the Funds (the "Transfer Agent"). The Transfer Agent has agreed to (1) issue and redeem Shares of the Funds; (2) make dividend and other distributions to shareholders of the Funds; (3) respond to correspondence by Fund shareholders and others relating to its duties; (4) maintain shareholder accounts; and (5) make periodic reports to the Funds. The Advisor pays the Transfer Agent out of the Advisor's unified management fee.

As compensation for the foregoing services, BNY Mellon receives certain out-of-pocket-costs, transaction fees and asset-based fees, which are accrued daily and paid monthly by the Advisor out of the Advisor's unified management fee.

The Advisor paid BNY Mellon the following amounts for the last three fiscal years ended April 30 for the foregoing services:

<b>Fund Name</b>	<b>Commencement of Operations</b>	<b>Administration, Custody and Transfer Agency Fees for Fiscal Year Ended 2021</b>	<b>Administration, Custody and Transfer Agency Fees for Fiscal Year Ended 2022</b>	<b>Administration, Custody and Transfer Agency Fees for Fiscal Year Ended 2023</b>
IQ Hedge Multi-Strategy Tracker ETF	3/25/09	\$ 282,548	\$ 531,606	\$ 253,757
IQ Merger Arbitrage ETF	11/17/09	\$ 292,937	\$ 498,161	\$ 218,598
IQ 500 International ETF	12/13/18	\$ 184,297	\$ 280,802	\$ 286,003
IQ Candriam International Equity ETF	12/17/19	\$ 158,811	\$ 184,968	\$ 323,851
IQ Candriam U.S. Mid Cap Equity ETF	10/25/22	N/A	N/A	\$ 10,500
IQ Candriam U.S. Large Cap Equity ETF	12/17/19	\$ 102,926	\$ 326,476	\$ 145,670
IQ U.S. Large Cap ETF	12/13/17	\$ 102,278	\$ 216,223	\$ 102,634
IQ U.S. Small Cap ETF	5/16/17	\$ 103,705	\$ 217,405	\$ 210,912
IQ CBRE NextGen Real Estate ETF	6/14/11	\$ 44,128	\$ 69,031	\$ 53,684
IQ FTSE International Equity Currency Neutral ETF	7/22/15	\$ 281,131	\$ 473,852	\$ 635,117
IQ U.S. Mid Cap R&D Leaders ETF	2/8/22	N/A	\$ 7,270	\$ 20,894
IQ U.S. Large Cap R&D Leaders ETF	2/8/22	N/A	\$ 5,932	\$ 15,068
IQ Global Equity R&D Leaders ETF	2/8/22	N/A	\$ 8,543	\$ 29,916
IQ Global Resources ETF	10/27/09	\$ 73,703	\$ 104,715	\$ 107,490
IQ Real Return ETF	10/27/09	\$ 33,228	\$ 55,700	\$ 43,710
IQ Clean Oceans ETF	10/21/21	N/A	\$ 15,838	\$ 18,494
IQ Cleaner Transport ETF	10/21/21	N/A	\$ 15,718	\$ 20,370
IQ Engender Equality ETF	10/21/21	N/A	\$ 10,542	\$ 17,975
IQ Healthy Hearts ETF	1/14/21	\$ 6,650	\$ 31,445	\$ 22,162

## Securities Lending

BNY Mellon also serves as the Trust's securities lending agent pursuant to a Securities Lending Authorization Agreement. As compensation for providing securities lending services, BNY Mellon receives a portion of the income earned by the Fund on collateral investments in connection with the lending program.

Pursuant to an agreement between the Trust, on behalf of the Funds, and BNY Mellon, the Funds may lend their portfolio securities to certain qualified borrowers. As securities lending agent for the Funds, BNY Mellon administers the Funds' securities lending program. The services provided to the Funds by BNY Mellon with respect to the Funds' securities lending activities during the most recent fiscal year included, among other things: locating approved borrowers and arranging loans; collecting fees and rebates due to the Funds from a borrower; monitoring daily the value of the loaned securities and collateral and marking to market the daily value of securities on loan; collecting and maintaining necessary collateral; managing cash collateral, which may include investing the cash collateral in approved investment pools; managing qualified dividends; negotiating loan terms; recordkeeping and account servicing; monitoring dividend activity and proxy votes relating to loaned securities; and arranging for return of loaned securities to the Funds at loan termination.

The dollar amounts of income and fees and compensation paid to all service providers related to those Funds that participated in securities lending activities for the fiscal year ended April 30, 2023 were as follows:

Fund	IQ Real Return ETF	IQ Merger Arbitrage ETF	IQ Global Resources ETF
Gross Income <sup>(1)</sup>	\$ 5,031	\$ 192,104	\$ 18,327
Revenue Split <sup>(2)</sup>	\$ 626	\$ 38,274	\$ 1,219
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ 2,744	\$ 41,117	\$ 13,798
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ 3,370	\$ 79,391	\$ 15,017
Net Income from Securities Lending Activities	1,661	\$ 112,713	\$ 3,310

Fund	IQ U.S. Small Cap ETF	IQ 500 International ETF	IQ Candriam U.S. Large Cap Equity ETF
Gross Income <sup>(1)</sup>	\$ 39,806	\$ 249,613	\$ 8,573
Revenue Split <sup>(2)</sup>	\$ 10,338	\$ 41,827	\$ 2,322
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ 2,475	\$ 94,498	\$ (194)
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ 12,813	\$ 136,326	\$ 2,128
Net Income from Securities Lending Activities	\$ 26,993	\$ 113,287	\$ 6,444

Fund	IQ US Mid Cap R&D Leaders ETF	IQ U.S. Large Cap R&D Leaders ETF	IQ Global Equity R&D Leaders ETF
Gross Income <sup>(1)</sup>	\$ 4,668	\$ 409	\$ 178
Revenue Split <sup>(2)</sup>	\$ 2,008	\$ 224	\$ 502
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ (3,226)	\$ (475)	\$ (1,505)
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ (1,217)	\$ (251)	\$ (1,003)
Net Income from Securities Lending Activities	\$ 5,885	\$ 660	\$ 1,181

Fund	<b>IQ Cleaner Transport ETF</b>	<b>IQ Healthy Hearts ETF</b>	<b>IQ CBRE NextGen Real Estate ETF</b>
Gross Income <sup>(1)</sup>	\$ 1,190	\$ 1,506	\$ 3,748
Revenue Split <sup>(2)</sup>	\$ 424	\$ 187	\$ 639
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ (445)	\$ 777	\$ 1,550
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ (21)	\$ 964	\$ 2,190
Net Income from Securities Lending Activities	\$ 1,211	\$ 542	\$ 1,559

Fund	<b>IQ Hedge Multi-Strategy Tracker ETF</b>	<b>IQ Candriam International Equity ETF</b>	<b>IQ U.S. Large Cap ETF</b>
Gross Income <sup>(1)</sup>	\$ 3,413,150	\$ 58,381	\$ 10,899
Revenue Split <sup>(2)</sup>	\$ 582,143	\$ 11,687	\$ 2,730
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ 1,263,186	\$ 15,887	\$ 224
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ 1,845,328	\$ 27,574	\$ 2,954
Net Income from Securities Lending Activities	\$ 1,567,821	\$ 30,807	\$ 7,945

Fund	<b>IQ FTSE International Equity Currency Neutral ETF</b>	<b>IQ Clean Oceans ETF</b>	<b>IQ Engender Equality ETF</b>
Gross Income <sup>(1)</sup>	\$ 152,734	\$ 373	\$ 124
Revenue Split <sup>(2)</sup>	\$ 13,207	\$ 204	\$ 30
Cash Collateral Management Fees	-	-	-
Administrative Fees	-	-	-
Indemnification Fees	-	-	-
Net Rebate (Paid)/Received	\$ 103,997	\$ (409)	\$ 11
Other Fees	-	-	-
Aggregate Fees for Securities Lending Activities	\$ 117,204	\$ (205)	\$ 41
Net Income from Securities Lending Activities	\$ 35,531	\$ 578	\$ 83

(1) Gross income includes income from cash collateral reinvestment.

(2) Revenue split represents the share of revenue generated by the securities lending program and paid to BNY Mellon.

Pursuant to an agreement between the Trust, on behalf of the Funds, and BNY Mellon, the Funds may lend their portfolio securities to certain qualified borrowers. As securities lending agent for the Funds, BNY Mellon administers the Funds' securities lending program. The services provided to the Funds by BNY Mellon with respect to the Funds' securities lending activities during the most recent fiscal year included, among other things: locating approved borrowers and arranging loans; collecting fees and rebates due to a Fund from a borrower; monitoring daily the value of the loaned securities and collateral and marking to market the daily value of securities on loan; collecting and maintaining necessary collateral; managing cash collateral, which may include investing the cash collateral in approved investment pools; managing qualified dividends; negotiating loan terms; recordkeeping and account servicing; monitoring dividend activity and proxy votes relating to loaned securities; and arranging for return of loaned securities to a Fund at loan termination.

During the most recent fiscal year-end, none of the other Funds covered in this SAI engaged in securities lending activities, and, as a result, did not earn income or incur costs or expenses associated with such activities.

## Index Providers

IndexIQ LLC (“IndexIQ”) is the index provider for the Funds (except the IQ Real Return ETF, IQ FTSE International Equity Currency Neutral ETF, IQ U.S. Large Cap ETF, IQ U.S. Small Cap ETF and IQ Engender Equality ETF). IndexIQ is in the business of developing and maintaining financial indexes, including certain Underlying Indexes. Presently, IndexIQ has developed and is maintaining a number of indexes in addition to the Underlying Indexes. IndexIQ has entered into an index licensing agreement (the “Licensing Agreement”) with the Advisor to allow the Advisor’s use of the Underlying Indexes for the operation of the Funds. The Advisor has, in turn, entered into a sublicensing agreement (the “Sub-Licensing Agreement”) with the Trust to allow the Funds to utilize the Underlying Indexes. The Funds pay no fees to IndexIQ or the Advisor under the Sub-Licensing Agreement.

The Advisor, serves as the investment advisor to all the Funds, including those for which IndexIQ serves as index provider. IndexIQ and the Advisor are affiliated. In order to minimize any potential for conflicts caused by the fact that IndexIQ acts as the index provider for certain Funds for which the Advisor serves as the investment advisor, an unaffiliated third party has been retained to calculate each IndexIQ Underlying Index (the “Calculation Agent”). The Calculation Agent, using the applicable rules-based methodology, will calculate and disseminate the IndexIQ Underlying Indexes on a daily basis. In addition, IndexIQ and the Advisor have established policies and procedures designed to prevent non-public information about pending changes to the IndexIQ Underlying Indexes from being used or disseminated in an improper manner. Furthermore, IndexIQ and the Advisor have established policies and procedures designed to prevent improper use and dissemination of non-public information about the Funds’ portfolio strategies.

For the IQ Candriam U.S. Large Cap Equity ETF, IQ Candriam U.S. Mid Cap Equity ETF, IQ Candriam International Equity ETF, IQ Clean Oceans ETF, IQ Cleaner Transport ETF and IQ Healthy Hearts ETF, Solactive AG is the Index calculator and benchmark administrator. The value of the Underlying Indexes for these Funds is calculated every weekday (“Business Day”) based on the prices on the respective Exchanges on which the Component Securities are listed. For each update, the most recent prices of all Component Securities are used. Prices of Component Securities not listed in U.S. dollars are converted using spot foreign exchange rates quoted by Reuters. The daily index closing value is calculated using WM/Reuters closing spot rates from 4:00 pm London time. Should there be no current price available on Reuters, the most recent price or the Trading Price (as defined below) on Reuters for the preceding Trading Day (as defined below) is used in the calculation. These Underlying Indexes are calculated continuously every Business Day from 9:00 am to 10:30 pm, CET, with updates every 15 seconds. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG, an Underlying Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis. At the time of the calculation and publication of an Underlying Index, the prices used for the calculation may already have changed. A committee (the “Committee”) composed of staff from Solactive AG is responsible for any amendments to the rules; provided that the starting universe for the composition of an Underlying Index and its relevant specifications are established by IndexIQ. The composition of an Underlying Index is determined according to the procedures outlined in the Underlying Index rulebook. Solactive AG may consult IndexIQ for decisions regarding the composition of an Underlying Index. All specifications and information relevant for calculating an Underlying Index are made available on Solactive AG’s website. The financial instrument is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using an Underlying Index and/or Underlying Index trade mark or an Underlying Index price at any time or in any other respect. The Underlying Indexes are calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Underlying Indexes are calculated correctly. Irrespective of its obligations to the Issuer, Solactive AG has no obligation to point out errors in an Underlying Index to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither the publication of an Underlying Index by Solactive AG nor the licensing of an Underlying Index or Underlying Index trade mark for the purpose of use in connection with the financial instrument constitutes a recommendation by Solactive AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.

For the IQ Real Return ETF, the index provider for the Fund is Bloomberg Index Services Limited (“BISL”). The Advisor has entered into a licensing agreement with BISL to license the Underlying Index on behalf of the Fund.

For the IQ FTSE International Equity Currency Neutral ETF, the index provider is FTSE International Ltd. (“FTSE”). FTSE developed and sponsors the Underlying Index. The Advisor has entered into a licensing agreement with FTSE to license the Underlying Index on behalf of the Fund.

For the IQ U.S. Large Cap ETF and IQ U.S. Small Cap ETF, the index provider is Nasdaq, Inc. which developed and sponsors each Underlying Index. The Advisor has entered into a licensing agreement with Nasdaq, Inc. to license the Underlying Indexes on behalf of IQ U.S. Large Cap ETF and IQ U.S. Small Cap ETF.

For the IQ Engender Equality ETF, the index provider is Solactive AG. The Advisor has entered into a licensing agreement with Solactive AG to license the Underlying Index on behalf of the Fund.

### **Index Consultant**

For the IQ Candriam U.S. Large Cap Equity ETF, IQ Candriam U.S. Mid Cap Equity ETF, IQ Candriam International Equity ETF, IQ Healthy Hearts ETF, IQ Clean Oceans ETF and IQ Cleaner Transport ETF, Candriam serves as the index consultant to IndexIQ for the Underlying Indexes. In its role as index consultant, Candriam assists IndexIQ with the development, calculation and maintenance of the Underlying Indexes. Candriam is an investment advisor with experience with ESG strategies. IndexIQ pays Candriam for these services. The IQ Candriam U.S. Large Cap Equity ETF, IQ Candriam U.S. Mid Cap Equity ETF and IQ Candriam International Equity ETF pay no fees to Candriam.

### **Index Construction Consultant**

CBRE Investment Management Listed Real Assets LLC serves as the index construction consultant to IndexIQ for the IQ CBRE NextGen Real Estate Index.

### **Distributor**

ALPS Distributors, Inc., (the “Distributor”), is located at 1290 Broadway, Suite 1000, Denver, Colorado 80203. The Distributor is a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and a member of the Financial Industry Regulatory Authority (“FINRA”). NYLIFE Distributors LLC has entered into a Services Agreement with ALPS to market the Funds.

Shares will be continuously offered for sale by the Trust through the Distributor only in whole Creation Units, as described in the section of this SAI entitled “Purchase and Redemption of Creation Units.” The Distributor also acts as an agent for the Trust. The Distributor will deliver a prospectus to authorized participants purchasing Shares in Creation Units and will maintain records of both orders placed with it and confirmations of acceptance furnished by it. The Distributor has no role in determining the investment policies of the Funds or which securities are to be purchased or sold by the Funds.

As compensation for the foregoing services, the Distributor receives certain out-of-pocket costs and per Fund flat fees, which are accrued daily and paid monthly by the Advisor.

The Board of Trustees has adopted a Distribution and Service Plan pursuant to Rule 12b-1 under the 1940 Act. In accordance with its Distribution and Service Plan, each Fund is authorized to pay an amount up to 0.10% of its average daily net assets each year to finance activities primarily intended to result in the sale of Creation Units of each Fund or the provision of investor services. No Rule 12b-1 fees are currently paid by the Funds and there are no plans to impose these fees. However, in the event Rule 12b-1 fees are charged in the future, they will be paid out of the respective Fund’s assets, and over time these fees will increase the cost of your investment and they may cost you more than certain other types of sales charges.

Under the Distribution and Service Plan, and as required by Rule 12b-1, the Trustees will receive and review after the end of each calendar quarter a written report provided by the Distributor of the amounts expended under the Plan, if any, and the purpose for which such expenditures were made.

The Advisor and its affiliates may, out of their own resources, pay amounts to third parties for distribution or marketing services on behalf of the Funds. The making of these payments could create a conflict of interest for a financial intermediary receiving such payments.

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP, located at 300 Madison Avenue, New York, NY 10017, serves as the independent registered public accounting firm to the Trust. PricewaterhouseCoopers LLP will perform the annual audit of the Funds’ financial statements.

### **Tax Advisor**

Ernst & Young LLP, located at 5 Times Square, New York, NY 10036, serves as tax advisor to the Trust and will prepare the Funds’ federal, state and excise tax returns, and advise the Trust on matters of accounting and federal and state income taxation.

### **Legal Counsel**

Chapman and Cutler, LLP, located at 1717 Rhode Island Avenue, N.W., Washington, D.C. 20036, serves as legal counsel to the Trust and the Funds.

## Disclaimers

*The following applies to each Fund (except for the IQ Real Return ETF, IQ FTSE International Equity Currency Neutral ETF, IQ U.S. Small Cap ETF, IQ U.S. Large Cap ETF, and IQ Engender Equality ETF).*

*The information contained herein regarding the indexes underlying the Funds (each, an “Underlying Index”, and, collectively, the “Underlying Indexes”) and IndexIQ LLC (“IndexIQ”) was provided by IndexIQ, while the information contained herein regarding the securities markets and The Depository Trust Company (“DTC”) was obtained from publicly available sources. Please note that the source of the information regarding the securities markets and DTC also applies to the discussion of each Fund’s Underling Index described further below.*

Fund Name	Underlying Index
IQ Hedge Multi-Strategy Tracker ETF	IQ Hedge Multi-Strategy Index
IQ Merger Arbitrage ETF	IQ Merger Arbitrage Index
IQ 500 International ETF	IQ 500 International Index
IQ Candriam International Equity ETF	IQ Candriam International Equity Index
IQ Candriam Mid Cap Equity ETF	IQ Candriam U.S. Mid Cap Equity Index
IQ Candriam U.S. Large Cap Equity ETF	IQ Candriam US Equity Index
IQ CBRE NextGen Real Estate ETF	IQ CBRE NextGen Real Estate Index
IQ U.S. Mid Cap R&D Leaders ETF	IQ U.S. Mid Cap R&D Leaders Index
IQ U.S. Large Cap R&D Leaders ETF	IQ U.S. Large Cap R&D Leaders Index
IQ Global Equity R&D Leaders ETF	IQ Global Equity R&D Leaders Index
IQ Global Resources ETF	IQ Global Resources Index
IQ Clean Oceans ETF	IQ Candriam Clean Oceans Index
IQ Cleaner Transport ETF	IQ Candriam Cleaner Transport Index
IQ Healthy Hearts ETF	IQ Candriam Healthy Hearts Index

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CANDRIAM DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE IQ CANDRIAM US EQUITY INDEX, IQ CANDRIAM INTERNATIONAL EQUITY INDEX, IQ CANDRIAM U.S. MID CAP EQUITY INDEX AND IQ CANDRIAM HEALTHY HEARTS INDEX OR ANY DATA INCLUDED THEREIN AND CANDRIAM SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. CANDRIAM MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, OWNERS OF THE SHARES OF THE TRUST, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE UNDERLYING INDICES OR ANY DATA INCLUDED THEREIN. CANDRIAM MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE UNDERLYING INDICES OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL CANDRIAM HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.



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*The following applies to the IQ Real Return ETF.*

The information contained herein regarding the index underlying the IQ Real Return ETF and Bloomberg Index Services Limited (“BISL”) was provided by BISL.

Fund Name	Underlying Index
IQ Real Return ETF	Bloomberg IQ Multi-Asset Inflation Index

“Bloomberg®” and the Bloomberg IQ Multi-Asset Inflation Index are service marks of Bloomberg Finance L.P. and its affiliates, including BISL, the administrator of the index (collectively, “Bloomberg”), and have been licensed for use for certain purposes by IndexIQ.

*The Fund is not sponsored, endorsed, sold or promoted by Bloomberg. Bloomberg does not make any representation or warranty, express or implied, to the owners of or counterparties to the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly. The only relationship of Bloomberg to IndexIQ is the licensing of certain trademarks, trade names and service marks and of the Bloomberg IQ Multi-Asset Inflation Index, which is determined, composed and calculated by BISL without regard to IndexIQ or the Fund. Bloomberg has no obligation to take the needs of IndexIQ or the owners of the Fund into consideration in determining, composing or calculating the Bloomberg IQ Multi-Asset Inflation Index. Bloomberg is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Fund to be issued. Bloomberg shall not have any obligation or liability, including, without limitation, to Fund customers, in connection with the administration, marketing or trading of the Fund.*

*BLOOMBERG DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE BLOOMBERG IQ MULTI-ASSET INFLATION INDEX OR ANY DATA RELATED THERETO AND SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. BLOOMBERG DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY INDEXIQ, OWNERS OF THE FUND OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE BLOOMBERG IQ MULTI-ASSET INFLATION INDEX OR ANY DATA RELATED THERETO. BLOOMBERG DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTIES AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE BLOOMBERG IQ MULTI-ASSET INFLATION INDEX OR ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, TO THE MAXIMUM EXTENT ALLOWED BY LAW, BLOOMBERG, ITS LICENSORS, AND ITS AND THEIR RESPECTIVE EMPLOYEES, CONTRACTORS, AGENTS, SUPPLIERS, AND VENDORS SHALL HAVE NO LIABILITY OR RESPONSIBILITY WHATSOEVER FOR ANY INJURY OR DAMAGES—WHETHER DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR OTHERWISE—ARISING IN CONNECTION WITH THE FUND OR THE BLOOMBERG IQ MULTI-ASSET INFLATION INDEX OR ANY DATA OR VALUES RELATING THERETO—WHETHER ARISING FROM THEIR NEGLIGENCE OR OTHERWISE, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.*

*The following applies to the IQ FTSE International Equity Currency Neutral ETF.*

The information contained herein regarding the Underlying Indexes and FTSE International Limited (“FTSE”) was provided by FTSE.

Fund Name	Underlying Index
IQ FTSE International Equity Currency Neutral ETF	FTSE Developed ex North America 50% Hedged to USD Net Tax (US RIC) Index

THE IQ FTSE INTERNATIONAL EQUITY CURRENCY NEUTRAL ETF IS NOT IN ANY WAY SPONSORED, ENDORSED, SOLD, OR PROMOTED BY FTSE OR THE LONDON STOCK EXCHANGE GROUP COMPANIES (“LSEG”) (TOGETHER THE “LICENSOR PARTIES”), AND NONE OF THE LICENSOR PARTIES MAKE ANY CLAIM, PREDICTION, WARRANTY, OR REPRESENTATION WHATSOEVER, EXPRESSLY OR IMPLIEDLY, EITHER AS TO (I) THE RESULTS TO BE OBTAINED FROM THE USE OF THE FTSE DEVELOPED EX NORTH AMERICA 50% HEDGED TO USD NET TAX (US RIC) INDEX (THE “INDEX”), (II) THE FIGURE AT WHICH THE INDEX IS SAID TO STAND AT ANY PARTICULAR TIME ON ANY PARTICULAR DAY OR OTHERWISE, OR (III) THE SUITABILITY OF THE INDEX FOR THE PURPOSE TO WHICH IT IS BEING PUT IN CONNECTION WITH THE FUND. NONE OF THE LICENSOR PARTIES HAVE PROVIDED OR WILL PROVIDE ANY FINANCIAL OR INVESTMENT ADVICE OR RECOMMENDATION IN RELATION TO THE INDEX TO THE ADVISOR OR TO ITS CLIENTS. THE INDEX IS CALCULATED BY FTSE OR ITS AGENT. NONE OF THE LICENSOR PARTIES SHALL BE (A) LIABLE (WHETHER IN NEGLIGENCE OR OTHERWISE) TO ANY PERSON FOR ANY ERROR IN THE INDEX OR (B) UNDER ANY OBLIGATION TO ADVISE ANY PERSON OF ANY ERROR THEREIN. ALL RIGHTS IN THE INDEX VEST IN FTSE. “FTSE®” IS A TRADEMARK OF LSEG AND IS USED BY FTSE UNDER LICENSE.

*The following applies to the, IQ U.S. Large Cap ETF and IQ U.S. Small Cap ETF.*

The information contained herein regarding the Underlying Index and Nasdaq, Inc. was provided by Nasdaq, Inc..

Fund Name	Underlying Index
IQ U.S. Large Cap ETF	Nasdaq Chaikin Power US Large Cap Index
IQ U.S. Small Cap ETF	Nasdaq Chaikin Power US Small Cap Index

The Product(s) is not sponsored, endorsed, sold or promoted by Nasdaq, Inc. or its affiliates (Nasdaq, with its affiliates, are referred to as the “Corporations”). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the Product(s). The Corporations make no representation or warranty, express or implied to the owners of the Product(s) or any member of the public regarding the advisability of investing in securities generally or in the Product(s) particularly, or the ability of the Nasdaq Chaikin Power US Small Cap Index and Nasdaq Chaikin Power US Large Cap Index to track general stock market performance. The Corporations’ only relationship to IndexIQ Advisors LLC (“Licensee”) is in the licensing of the Nasdaq® and certain trade names of the Corporations and the use of the Nasdaq Chaikin Power US Small Cap Index and Nasdaq Chaikin Power US Large Cap Index which are determined, composed and calculated by Nasdaq without regard to Licensee or the Product(s). Nasdaq has no obligation to take the needs of the Licensee or the owners of the Product(s) into consideration in determining, composing or calculating the Nasdaq Chaikin Power US Small Cap Index and Nasdaq Chaikin Power US Large Cap Index. The Corporations are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Product(s) to be issued or in the determination or calculation of the equation by which the Product(s) is to be converted into cash. The Corporations have no liability in connection with the administration, marketing or trading of the Product(s).

The Corporations do not guarantee the accuracy and/or uninterrupted calculation of the Nasdaq Chaikin Power US Small Cap Index and Nasdaq Chaikin Power US Large Cap Index or any data included therein. The Corporations make no warranty, express or implied, as to results to be obtained by Licensee, owners of the Product(s), or any other person or entity from the use of the Nasdaq Chaikin Power US Small Cap Index and Nasdaq Chaikin Power US Large Cap Index or any data included therein. The Corporations make no express or implied warranties, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Indexes or any data included therein.

Without limiting any of the foregoing, in no event shall the Corporations have any liability for any lost profits or special, incidental, punitive, indirect, or consequential damages, even if notified of the possibility of such damages.

Chaikin, Chaikin Analytics and Chaikin Power Gauge are registered trademarks or service marks of Chaikin Analytics LLC and Chaikin Investments LLC and used under license.

*The following applies to the IQ Engender Equality ETF.*

The information contained herein regarding the Solactive Equileap US Select Gender Equality Index (the “Underlying Index”) and Solactive AG (“Solactive”) was provided by Solactive.

*Solactive is the licensor of Solactive Equileap U.S. Select Gender Equality Index (the “Index”). The financial instruments that are based on the Index are not sponsored, endorsed, promoted or sold by Solactive in any way and Solactive makes no express or implied representation, guarantee or assurance with regard to: (a) the advisability in investing in the financial instruments; (b) the quality, accuracy and/or completeness of the Index; and/or (c) the results obtained or to be obtained by any person or entity from the use of the Index. Solactive does not guarantee the accuracy and/or the completeness of the Index and shall not have any liability for any errors or omissions with respect thereto. Notwithstanding Solactive’s obligations to its licensees, Solactive reserves the right to change the methods of calculation or publication with respect to the Index and Solactive shall not be liable for any miscalculation of or any incorrect, delayed or interrupted publication with respect to the Index. Solactive shall not be liable for any damages, including, without limitation, any loss of profits or business, or any special, incidental, punitive, indirect or consequential damages suffered or incurred as a result of the use (or inability to use) of the Index.*

*The following applies to the IQ Healthy Hearts ETF only.*

**ABOUT THE AMERICAN HEART ASSOCIATION®:** The American Heart Association® (“AHA”) is the nation’s oldest and largest voluntary organization dedicated to fighting heart disease and stroke. Founded by six cardiologists in 1924, the organization now includes more than 40 million volunteers and supporters. Its mission is “To be a relentless force for a world of longer, healthier lives.” AHA is a tax-exempt organization under Section 501(c)(3) of the Code. AHA will enter into a support agreement (the “Agreement”) with the Advisor and New York Life Investment Management LLC (“NYLIM”). Pursuant to the Agreement, AHA will grant the Advisor and NYLIM a license permitting the Fund to use AHA’s name and logo in connection with its donation payments to the American Heart Association and support of its mission. AHA will identify and compile certain social criteria to be incorporated into the Fund’s “social screen” – criteria that seek to measure corporate performance against a range of social impact benchmarks relevant to the Fund. AHA will not: (i) select any individual companies for inclusion in or exclusion from the Underlying Index or (ii) have any right to approve or modify the Underlying Index, once constructed. AHA will not have any influence on the day-to-day operations of the Fund or the Advisor’s management of the Fund. AHA will not provide any investment advisory services to the Advisor, the Fund or any potential or current investors in the Fund. AHA will have no equity ownership or other financial interest in the Advisor.

*Shares of the Fund are not sponsored, endorsed or promoted by American Heart Association, Inc. (“AHA”). The Fund’s sponsor, IndexIQ, and its affiliates are donors to and supporters of AHA’s Social Impact Fund and are making a substantial contribution to the Social Impact Fund. AHA makes no representation or warranty, express or implied, to prospective or actual investors in the Fund or to any member of the public regarding the advisability of investing in any financial product, including one seeking to track the Underlying Index, the ability of the Fund to track the performance of the Underlying Index, the ability of the Underlying Index to meet or exceed stock market performance, the suitability of the Fund or the ability of the Underlying Index or Fund to achieve its investment goals. AHA has no obligation or liability in connection with the administration, marketing or trading of shares of the Fund. AHA is not an investment adviser or a fund distributor or service provider. Inclusion of a security within the Underlying Index is not a recommendation by AHA to buy, sell or hold such security, nor is it considered to be investment advice or a guarantee that the investment goals of the Underlying Index will be achieved. AHA does not guarantee the accuracy and/or the completeness of the Underlying Index or any data included therein.*

*The following applies to the IQ Engender Equality ETF only.*

**ABOUT GIRLS WHO CODE INC.®:** The Girls Who Code Inc.® (“Girls Who Code”) is a nonprofit organization which aims to support and increase the number of women in computer science by equipping young women with the necessary computing skills to pursue 21<sup>st</sup> century opportunities.

Girls Who Code is a tax-exempt non-profit corporation under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Girls Who Code has entered into a support agreement (the “Agreement”) with the Advisor and New York Life Investment Management LLC (“NYLIM”). Pursuant to the Agreement, Girls Who Code will grant the Advisor and NYLIM a license permitting the Fund to use Girls Who Code’s name and logo in connection with NYLIM’s contributions to Girls Who Code and support of its mission. Girls Who Code will not: (i) select any individual companies for inclusion in or exclusion from the Underlying Index or (ii) have any right to approve or modify the Underlying Index, once constructed. Girls Who Code will not have any influence on the day-to-day operations of the Fund or the Advisor’s management of the Fund. Girls Who Code will not provide any investment advisory services to the Advisor, the Fund or any potential or current investors in the Fund. Girls Who Code will have no equity ownership or other financial interest in the Advisor.

*The Fund is offered by IndexIQ, the Fund’s sponsor, in alignment with Girls Who Code Inc. (“GWC”). The Fund is designed to promote investment objectives that are deemed to be consistent with GWC’s mission. Shares of the Fund are not sponsored, endorsed or promoted by GWC, and GWC is not an investment advisor or service provider to the Fund. GWC makes no representations or warranties regarding the performance of the Fund and will have no obligation or liability in connection with the Fund. The Fund’s sponsor, IndexIQ, and its affiliates are supporters of and donors to GWC and are making a substantial contribution to GWC in connection with GWC’s agreement to license use of its name and trademarks to IndexIQ and its affiliates. NYLIM and IndexIQ’s contribution to GWC is calculated on an annualized basis to be the lower of: (i) 0.045% of the Fund’s average daily net managed assets (the average daily value of the total assets of the Fund, less all accrued liabilities of the Fund and less any management fees waived by the Fund’s advisor or sub-advisor); or (ii) ten percent of the Fund’s net annual management fee taking into account all applicable fee waivers and expense reimbursements. NYLIM and IndexIQ will make annual minimum contributions to GWC of \$25,000 in each of the years 2021 to 2025 so long as their commercial co-venture is in effect.*

*The following applies to the IQ Clean Oceans ETF only.*

**ABOUT OCEANA, INC.®:** Oceana, Inc.® (“Oceana”) is the largest international advocacy organization dedicated solely to ocean conservation.

Oceana is a tax-exempt non-profit corporation under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). Oceana has entered into a support agreement (the “Agreement”) with the Advisor and New York Life Investment Management LLC (“NYLIM”). Pursuant to the Agreement, Oceana will grant the Advisor and NYLIM a license permitting the Fund to use Oceana’s name and logo in connection with NYLIM’s contributions to Oceana and support of its mission. Oceana will not: (i) select any individual companies for inclusion in or exclusion from the Underlying Index or (ii) have any right to approve or modify the Underlying Index, once constructed. Oceana will not have any influence on the day-to-day operations of the Fund or the Advisor’s management of the Fund. Oceana will not provide any investment advisory services to the Advisor, the Fund or any potential or current investors in the Fund. Oceana will have no equity ownership or other financial interest in the Advisor.

*Oceana, Inc. (“Oceana”) licenses to the Advisor, the sponsor of the Fund, certain trademarks for use in connection with the Fund. Shares of the Fund are not issued, sponsored, endorsed or promoted by Oceana. The Advisor, and its affiliates are donors to and supporters of Oceana and are making a substantial contribution to Oceana. Oceana makes no representation or warranty, express or implied, to prospective or actual investors in the Fund or to any member of the public regarding the advisability of investing in any financial product, including one seeking to track the index representing securities which are consistent with Oceana’s stated objectives and mission (the “Underlying Index”), the ability of the Fund to track the performance of the index constructed by the Fund’s index provider, the ability of the Underlying Index to meet or exceed stock market performance, the suitability of the Underlying Index for use by the Fund, the suitability of the Fund or the ability of the Underlying Index or Fund to achieve its investment goals. Oceana has no obligation or liability to the Fund, any Fund investor, or any other person in connection with the operation, administration, marketing of or trading in the Fund or shares of the Fund or otherwise. Oceana is not an investment adviser or a fund distributor or service provider and is not involved in the ongoing operation of the Fund. Oceana is not responsible for the completeness or accuracy of the Fund’s registration statement. Inclusion of a security within the Underlying Index is not a recommendation by Oceana to buy, sell or hold such security, nor is it considered to be investment advice or a guarantee that the investment goals of the Underlying Index will be achieved. Oceana is not involved with the construction, calculation or ongoing operation of the Underlying Index and does not guarantee the accuracy and/or the completeness of the Underlying Index or any data included therein.*

*NYLIM and the Advisor are donors to and supporters of Oceana. Oceana has authorized NYLIM and the Advisor to reference its name and certain marks owned by Oceana in connection with a commercial co-venture entered into between NYLIM the Advisor and Oceana. None of the payments made by NYLIM and the Advisor to Oceana is in exchange for services provided by Oceana. NYLIM and the Advisor’s contribution to Oceana is calculated on an annualized basis to be the lower of: (i) 0.045% of the Fund’s average daily net managed assets (the average daily value of the total assets of the Fund, less all accrued liabilities of the Fund and less any management fees waived by the Fund’s adviser or sub-adviser); or (ii) ten percent of the Fund’s net annual management fee taking into account all applicable fee waivers and expense reimbursements. NYLIM and the Advisor will make annual minimum contributions of \$50,000 per year through the fifth anniversary of the listing of the ETF on a national securities exchange.*

*The following applies to the IQ Cleaner Transport ETF only.*

**ABOUT NATIONAL WILDLIFE FEDERATION®:** The National Wildlife Federation® (“NWF”) is the United States’ largest private, nonprofit conservation education and advocacy organization.

NWF is a tax-exempt non-profit corporation under Section 501(c)(3) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). NWF has entered into a support agreement (the “Agreement”) with the Advisor and New York Life Investment Management LLC (“NYLIM”). Pursuant to the Agreement, NWF will grant the Advisor and NYLIM a license permitting the Fund to use NWF’s name and logo in connection with NYLIM’s contributions to NWF and support of its mission. NWF will not: (i) select any individual companies for inclusion or exclusion from the Underlying Index or (ii) have any right to approve or modify the Underlying Index, once constructed. NWF will not have any influence on the day-to-day operations of the Fund or the Advisor’s management of the Fund. NWF will not provide any investment advisory services to the Advisor, the Fund or any potential or current investors in the Fund. NWF will have no equity ownership or other financial interest in the Advisor.

*The IQ Cleaner Transport ETF (the “Fund”) is offered by IndexIQ, the Fund’s sponsor, in alignment with the National Wildlife Federation (“NWF”). The Fund is designed to promote investment objectives consistent with NWF’s mission. Shares of the Fund are not sponsored, endorsed or promoted by NWF, and NWF is not an investment adviser or service provider to the Fund. NWF makes no representations or warranties regarding the performance of the Fund and will have no obligation or liability in connection with the Fund. The Fund’s sponsor, IndexIQ, and its affiliates are supporters of and donors to NWF and are making a substantial contribution to NWF in connection with NWF’s agreement to license use of its name and trademarks to IndexIQ and its affiliates. NYLIM and IndexIQ’s contribution to NWF is calculated on an annualized basis to be the lower of: (i) 0.045% of the Fund’s average daily net managed assets (the average daily value of the total assets of the Fund, less all accrued liabilities of the Fund and less any management fees waived by the Fund’s adviser or sub-adviser); or (ii) ten percent of the Fund’s net annual management fee taking into account all applicable fee waivers and expense reimbursements. NYLIM and IndexIQ will make annual minimum contributions to NWF of \$30,000 in each of the years 2021 to 2025 so long as their commercial co-venture is in effect.*

## **PORTFOLIO TRANSACTIONS AND BROKERAGE**

Subject to the general supervision by the Board, the Advisor is responsible for decisions to buy and sell securities for the Funds, the selection of brokers and dealers to effect the transactions, and the negotiation of brokerage commissions. The Funds may execute brokerage or other agency transactions through registered broker-dealers who receive compensation for their services in conformity with the 1940 Act, the Exchange Act of 1934, and the rules and regulations thereunder. Compensation may also be paid in connection with riskless principal transactions (on Nasdaq or over the-counter securities and securities listed on an exchange) and agency Nasdaq or over-the-counter transactions executed with an electronic communications network or an alternative trading system.

The Funds will give primary consideration to obtaining the most favorable prices and efficient executions of transactions in implementing trading policy. Consistent with this policy, when securities transactions are traded on an exchange, the Funds' policy will be to pay commissions which are considered fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. The Advisor believes that a requirement always to seek the lowest possible commission cost could impede effective portfolio management and preclude the Funds from obtaining a high quality of brokerage services. In seeking to determine the reasonableness of brokerage commissions paid in any transaction, the Advisor will rely upon its experience and knowledge regarding commissions generally charged by various brokers and on its judgment in evaluating the brokerage and research services received from the broker effecting the transaction. Such determinations will be necessarily subjective and imprecise, as in most cases an exact dollar value for those services is not ascertainable.

The Advisor does not consider sales of Shares by broker-dealers as a factor in the selection of broker-dealers to execute portfolio transactions.

On occasions when the Advisor deems the purchase or sale of a security to be in the best interests of a Fund as well as its other customers (including any other fund or other investment company or advisory account for which the Advisor acts as investment advisor or investment subadvisor), the Advisor to the extent permitted by applicable laws and regulations, may aggregate the securities to be sold or purchased for a Fund with those to be sold or purchased for such other customers in order to obtain the best net price and most favorable execution under the circumstances. In such event, allocation of the securities so purchased or sold, as well as the expenses incurred in the transaction, will be made by the Advisor in the manner it considers to be equitable and consistent with its fiduciary obligations to the Funds and such other customers. In some instances, this procedure may adversely affect the price and size of the position obtainable for the Funds.

The table below shows information on brokerage commissions paid by each of the Funds for the three most recently completed fiscal years ended April 30, all of which were paid to entities that are not affiliated with the Funds, Advisor or Distributor.

<b>Fund Name</b>	<b>Brokerage Commissions Paid For Fiscal Year Ended</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
IQ Hedge Multi-Strategy Tracker ETF	\$ 803,496	\$ 709,080	\$ 376,453
IQ Merger Arbitrage ETF	\$ 1,459,436	\$ 1,345,281	\$ 1,255,864
IQ 500 International ETF	\$ 27,704	\$ 44,694	\$ 43,347
IQ Candriam International Equity ETF	\$ 33,599	\$ 24,238	\$ 39,445
IQ Candriam U.S. Mid Cap Equity ETF <sup>(1)</sup>	N/A	N/A	\$ 608
IQ Candriam U.S. Large Cap Equity ETF	\$ 16,219	\$ 7,100	\$ 29,876
IQ U.S. Large Cap ETF	\$ 50,790	\$ 64,979	\$ 59,548
IQ U.S. Small Cap ETF	\$ 48,582	\$ 110,347	\$ 189,098
IQ CBRE NextGen Real Estate ETF	\$ 11,883	\$ 18,999	\$ 26,439
IQ FTSE International Equity Currency Neutral ETF	\$ 38,891	\$ 37,218	\$ 47,352
IQ U.S. Mid Cap R&D Leaders ETF <sup>(2)</sup>	N/A	\$ 286	\$ 3,568
IQ U.S. Large Cap R&D Leaders ETF <sup>(2)</sup>	N/A	\$ 95	\$ 789
IQ Global Equity R&D Leaders ETF <sup>(2)</sup>	N/A	\$ 686	\$ 1,072
IQ Global Resources ETF	\$ 21,879	\$ 19,651	\$ 6,241
IQ Real Return ETF	\$ 13,591	\$ 19,725	\$ 552
IQ Clean Oceans ETF <sup>(3)</sup>	N/A	\$ 3,190	\$ 3,092
IQ Cleaner Transport ETF <sup>(3)</sup>	N/A	\$ 3,086	\$ 2,831
IQ Engender Equality ETF <sup>(3)</sup>	N/A	\$ 1,017	\$ 2,819
IQ Healthy Hearts ETF <sup>(4)</sup>	\$ 685	\$ 1,792	\$ 3,342

(1) Commenced operations on October 25, 2022.

(2) Commenced operations on February 8, 2022.

(3) Commenced operations on October 21, 2021.

(4) Commenced operations on January 14, 2021.

During the fiscal years ended April 30, 2021, April 30, 2022 and April 30, 2023, the Funds did not engage in any securities transactions with brokers that were affiliated with the Funds, Advisor or Distributor.

The Funds are required to identify any securities of the Funds' regular broker-dealers (as defined in Rule 10b-1 under the 1940 Act) or their parents held by the Funds as of the end of most recent fiscal year. As of April 30, 2023, the following Funds held the following securities of their regular broker-dealers or their parents:

<b>Fund Name</b>	<b>Broker/Dealer</b>	<b>Market Value</b>
IQ 500 International ETF	UBS Securities LLC	\$ 254,296
IQ Candriam U.S. Large Cap Equity ETF	BOFA Securities, Inc.	\$ 3,001,581
	CitiGroup Global Markets Inc.	\$ 1,334,434
IQ U.S. Small Cap ETF	Virtu Americas LLC	\$ 535,094
IQ Real Return ETF	BOFA Securities, Inc.	\$ 17,451
	CitiGroup Global Markets Inc.	\$ 7,484
	Goldman Sachs & Co. LLC	\$ 9,960
	J.P. Morgan Securities LLC	\$ 34,284
	Morgan Stanley & Co. LLC	\$ 10,167
IQ Hedge Multi-Strategy Tracker ETF	Goldman Sachs & C. LLC	\$ 16,253,559
IQ FTSE International Equity Currency Neutral ETF	Credit Suisse Securities (USA) LLC	\$ 56,762
	UBS Securities LLC	\$ 1,102,431
IQ U.S. Large Cap ETF	Goldman Sachs & Co. LLC	\$ 2,896,230
	Morgan Stanley & Co. LLC	\$ 2,814,532
IQ Engender Equality ETF	CitiGroup Global Markets Inc.	\$ 74,747

#### **DISCLOSURE OF PORTFOLIO HOLDINGS**

##### **Portfolio Disclosure Policy**

The Trust has adopted a Portfolio Holdings Policy (the "Policy") designed to govern the disclosure of Fund portfolio holdings and the use of material non-public information about Fund holdings. The Policy applies to all officers, employees and agents of the Funds, including the Advisor. The Policy is designed to ensure that the disclosure of information about each Fund's portfolio holdings is consistent with applicable legal requirements and otherwise in the best interest of each Fund. As an ETF, information about each Fund's portfolio holdings is made available on a daily basis in accordance with the provisions of any Order of the SEC applicable to the Exchange and other applicable SEC regulations, orders and no-action relief. Such information typically reflects all or a portion of a Fund's anticipated portfolio holdings as of the next Business Day (as defined below in the section entitled, "Purchase and Redemption of Creation Units"). This information is used in connection with the creation and redemption process and is disseminated on a daily basis through the facilities of the Exchange, the National Securities Clearing Corporation (the "NSCC") and/or third-party service providers.

Each Fund will disclose on the Funds' website ([newyorklifeinvestments.com/etf](http://newyorklifeinvestments.com/etf)) at the start of each Business Day the identities and quantities of the securities and other assets held by each Fund that will form the basis of the Fund's calculation of its NAV on that Business Day. The portfolio holdings so disclosed will be based on information as of the close of business on the prior Business Day and/or trades that have been completed prior to the opening of business on that Business Day and that are expected to settle on the Business Day. Online disclosure of such holdings is publicly available at no charge.

Daily access to each Fund's portfolio holdings is permitted to personnel of the Advisor, the Distributor and the Funds' administrator, custodian and accountant and other agents or service providers of the Trust who have need of such information in connection with the ordinary course of their respective duties to the Funds. The Funds' Chief Compliance Officer may authorize disclosure of portfolio holdings.

Each Fund will disclose its complete portfolio holdings schedule in public filings with the SEC on a quarterly basis, based on the Fund's fiscal year, within sixty (60) days of the end of the quarter, and will provide that information to shareholders, as required by federal securities laws and regulations thereunder.

No person is authorized to disclose a Fund's portfolio holdings or other investment positions except in accordance with the Policy. The Trust's Board reviews the implementation of the Policy on a periodic basis.

## **ADDITIONAL INFORMATION CONCERNING SHARES**

### **Organization and Description of Shares of Beneficial Interest**

The Trust is a Delaware statutory trust and registered investment company. The Trust was organized on July 1, 2008, and has authorized capital of an unlimited number of shares of beneficial interest of no par value that may be issued in more than one class or series.

Under Delaware law, the Trust is not required to hold an annual shareholders meeting if the 1940 Act does not require such a meeting. Generally, there will not be annual meetings of Trust shareholders. If requested by shareholders of at least 10% of the outstanding Shares of the Trust, the Trust will call a meeting of the Trust's shareholders for the purpose of voting upon the question of removal of a Trustee and will assist in communications with other Trust shareholders. Shareholders holding two-thirds of Shares outstanding may remove Trustees from office by votes cast at a meeting of Trust shareholders or by written consent.

When issued, Shares are fully-paid, non-assessable, redeemable and freely transferable; provided, however, that Shares may not be redeemed individually, but only in Creation Units. The Shares do not have preemptive rights or cumulative voting rights, and none of the Shares have any preference to conversion, exchange, dividends, retirements, liquidation, redemption or any other feature. Shares have equal voting rights, except that, if the Trust creates additional funds, only Shares of that fund may be entitled to vote on a matter affecting that particular fund. Trust shareholders are entitled to require the Trust to redeem Creation Units if such shareholders are Authorized Participants. The Declaration of Trust confers upon the Board the power, by resolution, to alter the number of Shares constituting a Creation Unit or to specify that Shares of the Trust may be individually redeemable. The Trust reserves the right to adjust the stock prices of Shares to maintain convenient trading ranges for investors. Any such adjustments would be accomplished through stock splits or reverse stock splits which would have no effect on the net assets of the Funds.

The Trust's Declaration of Trust disclaims liability of the shareholders or the officers of the Trust for acts or obligations of the Trust which are binding only on the assets and property of the Trust. The Declaration of Trust provides for indemnification by the Trust for all loss and expense of the Funds' shareholders held personally liable for the obligations of the Trust. The risk of a Trust's shareholder incurring financial loss on account of shareholder liability is limited to circumstances in which the Funds themselves would not be able to meet the Trust's obligations and this risk should be considered remote. If a Fund does not grow to a size to permit it to be economically viable, the Fund may cease operations. In such an event, shareholders may be required to liquidate or transfer their Shares at an inopportune time and shareholders may lose money on their investment.

### **Book Entry Only System**

The Depository Trust Company ("DTC") will act as securities depository for the Shares. The Shares of the Funds are represented by global securities registered in the name of DTC or its nominee and deposited with, or on behalf of, DTC. Except as provided below, certificates will not be issued for Shares.

DTC has advised the Trust as follows: DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries). DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among the DTC Participants in such securities through electronic computerized book-entry transfers and pledges in accounts of DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the NSCC and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. More specifically, DTCC is owned by a number of its DTC Participants and by the New York Stock Exchange, Inc., the NYSE Alternext U.S. (formerly known as the American Stock Exchange LLC) (the "Alternext") and FINRA.

Access to DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC agrees with and represents to DTC Participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law. Beneficial ownership of Shares will be limited to DTC Participants, Indirect Participants and persons holding interests through DTC Participants and Indirect Participants. Ownership of beneficial interests in Shares (owners of such beneficial interests are referred to herein as "Beneficial Owners") will be shown on, and the transfer of ownership will be effected only through, records maintained by DTC (with respect to DTC Participants) and on the records of DTC Participants (with respect to Indirect Participants and Beneficial Owners that are not DTC Participants).

Beneficial Owners will receive from or through DTC Participant a written confirmation relating to their purchase of Shares. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability of certain investors to acquire beneficial interests in Shares.

Beneficial Owners of Shares will not be entitled to have Shares registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form and are not considered the registered holders of the Shares. Accordingly, each Beneficial Owner must rely on the procedures of DTC, DTC Participants and any Indirect Participants through which such Beneficial Owner holds its interests in order to exercise any rights of a holder of Shares. The Trust understands that under existing industry practice, in the event the Trust requests any action of holders of Shares, or a Beneficial Owner desires to take any action that DTC, as the record owner of all outstanding Shares, is entitled to take, DTC would authorize the DTC Participants to take such action and that the DTC Participants would authorize the Indirect Participants and Beneficial Owners acting through such DTC Participants to take such action and would otherwise act upon the instructions of Beneficial Owners owning through them. DTC, through its nominee Cede & Co., is the record owner of all outstanding Shares.

Conveyance of all notices, statements and other communications to Beneficial Owners will be effected as follows. DTC will make available to the Trust upon request and for a fee to be charged to the Trust a listing of Shares holdings of each DTC Participant. The Trust shall inquire of each such DTC Participant as to the number of Beneficial Owners holding Shares, directly or indirectly, through such DTC Participant. The Trust will provide each such DTC Participant with copies of such notice, statement or other communication, in such form, number and at such place as such DTC Participant may reasonably request, in order that such notice, statement or communication may be transmitted by such DTC Participant, directly or indirectly, to such Beneficial Owners. In addition, the Trust shall pay to each such DTC Participant a fair and reasonable amount as reimbursement for the expenses attendant to such transmittal, all subject to applicable statutory and regulatory requirements. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to Shares by providing their names and addresses to the DTC registrar and request that copies of notices be provided directly to them.

Distributions of Shares shall be made to DTC or its nominee, Cede & Co., as the registered holder of all Shares. DTC or its nominee, upon receipt of any such distributions, shall immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in Shares as shown on the records of DTC or its nominee. Payments by DTC Participants to Indirect Participants and Beneficial Owners of Shares held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in a "street name," and will be the responsibility of such DTC Participants. The Trust has no responsibility or liability for any aspects of the records relating to or notices to Beneficial Owners, or payments made on account of beneficial ownership interests in such Shares, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and the DTC Participants or the relationship between such DTC Participants and the Indirect Participants and Beneficial Owners owning through such DTC Participants.

DTC may determine to discontinue providing its service with respect to Shares at any time by giving reasonable notice to the Trust and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Trust shall take action either to find a replacement for DTC to perform its functions at a comparable cost or, if such a replacement is unavailable, to issue and deliver printed certificates representing ownership of Shares, unless the Trust makes other arrangements with respect thereto satisfactory to the Exchange.

DTC rules applicable to DTC Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

## **PURCHASE AND REDEMPTION OF CREATION UNITS**

### **General**

The Trust issues and sells Shares of each Fund only to Authorized Participants, which are members or participants of any clearing agency registered with the SEC and which have a written agreement with the Trust or any Trust service provider that allows an Authorized Participant to place orders for the purchase and redemption of Creation Units. Creation Units are the specified number of Fund Shares that the Trust will issue to (or redeem from) an Authorized Participant in exchange for the deposit (or delivery) of a basket of securities, assets or other positions. Creation Units may be purchased and redeemed by Authorized Participants on a continuous basis on any Business Day (as defined below) through the Distributor at the Shares' NAV next determined after receipt of an order in proper form. In its discretion, the Trust reserves the right to increase or decrease the number of the Fund's Shares that constitute a Creation Unit.



A Business Day with respect to a Fund is, generally, any day that the Exchange is open for business, although as communicated by the Trust or the Distributor, certain Funds may be closed on days when the principal markets for a Fund's portfolio holdings are closed.

The specific terms and procedures governing purchase and redemption transactions in Creation Units by Authorized Participants are contained in the agreement between the Distributor and each Authorized Participant, and which is subject to acceptance by the Transfer Agent, including any annex thereto, any order form developed for use by the Distributor with Authorized Participants to purchase or redeem Creation Units, and any related communication provided to Authorized Participants by the Distributor, the Transfer Agent, the Advisor, or the Trust (together, the "Authorized Participant Agreement"). More specifically, the Authorized Participant agreement sets forth the detailed procedures by which the Authorized Participant may purchase or redeem Creation Units of Shares (i) through the Continuous Net Settlement ("CNS") clearing processes of NSCC, as such processes have been enhanced to effect purchases and redemptions of Creation Units, sometimes called the "CNS Clearing Process," or (ii) outside the CNS Clearing Process (*i.e.*, through the manual process of the DTC, sometimes called the "DTC Process").

### **Purchases and Redemptions**

The consideration for purchase of a Creation Unit generally consists of a designated basket of a securities, assets (including cash) or other positions that are representative of a Fund's portfolio (the "Purchase Basket"), and an amount of cash to account for any difference between the value of the Purchase Basket and the net asset value of a Creation Unit, sometimes called a cash balancing amount. A Fund also may accept a Purchase Basket that is composed of: (i) a non-representative selection of portfolio holdings, or (ii) a representative Purchase Basket that is different from the initial Purchase Basket published for use in transactions on the same Business Day.

The proceeds from the redemption of a Creation Unit generally consist of a designated basket of securities, assets (including cash) or other positions that are representative of a Fund's portfolio (the "Redemption Basket"), and an amount of cash to account for any difference between the value of the Redemption Basket and the net asset value of a Creation Unit, sometimes called a cash balancing amount. A Fund also may deliver a Redemption Basket that is composed of: (i) a non-representative selection of portfolio holdings, or (ii) a representative Redemption Basket that is different from the initial Redemption Basket used in transactions on the same Business Day.

Purchase Baskets and Redemption Baskets will be communicated to Authorized Participants prior to the opening of the trading of Shares on each Business Day by either the Distributor, the Transfer Agent, the Trust or the Advisor.

### **Acceptance of Purchase Orders for Creation Units**

The Trust reserves the right to reject or revoke a purchase order for Creation Units transmitted to it by the Distributor, for any legally permissible reason, if: (1) the order is not in proper form; (2) the investor(s), upon obtaining the Shares ordered, would own 80% or more of the currently outstanding Shares of any Fund; (3) payment of any cash amount due as part of the Purchase Basket or any cash balancing amount has not been made by the Authorized Participant by the contractual settlement date; (4) the securities and other assets delivered do not conform to the identity and number of Shares specified by the applicable Purchase Basket; (5) acceptance of the Purchase Basket would be unlawful or have an adverse effect on the Fund or its shareholders (e.g., jeopardize the Fund's tax status); or (6) there exist circumstances outside the reasonable control of the Trust, the Custodian, the Distributor and the Advisor that make it for all practical purposes impossible to process orders for the purchase of Creation Units. Examples of such circumstances include acts of God; public service or utility problems; earthquakes; fires; floods; wars; civil or military disturbances; terrorism; sabotage; epidemics; riots; interruptions; extreme weather conditions; power outages resulting in telephone, telecopy, internet, or computer failures; accidents; labor disputes; market conditions or activities causing trading halts; systems failures involving computer or other information systems affecting the Trust, the Advisor, the Distributor, DTC, NSCC, the Custodian or sub-custodian or any other participant in the creation process and similar extraordinary events.

The Trust, the Custodian, any sub-custodian and the Distributor are under no duty, however, to give notification of any defects or irregularities in the delivery of securities, assets or other positions comprising a Purchase Basket nor shall any of them incur any liability for the failure to give any such notification. All questions as to the validity, form, eligibility and acceptance of any Purchase Order shall be determined by the Trust and the Trust's determination shall be final and binding.

### **Settlement of Purchase Orders for Creation Units**

Creation Units typically are issued on a "T+2 basis" (that is two Business Days after trade date).

However, each Fund reserves the right to settle Creation Unit transactions on a basis other than T+2 in order to accommodate foreign market holiday schedules, to account for different treatment among foreign and U.S. markets of dividend record dates and ex-dividend dates (that is the last day the holder of a security can sell the security and still receive dividends payable on the security), and in certain other circumstances.

The Distributor and the Trust will issue Creation Units to Authorized Participant notwithstanding the fact that the corresponding components of a Purchase Basket have not been received in part or in whole, in reliance on the undertaking of the Authorized Participant to deliver the missing components as soon as possible, which undertaking shall be secured by such Authorized Participant's delivery and maintenance of collateral having a value equal to 110% of the value of the Purchase Basket, which value the Trust may change from time to time.

#### **Acceptance of Redemption Orders for Creation Units**

The Trust reserves the right to reject or revoke a redemption order for Creation Units transmitted to it by the Distributor if: (1) the order is not in proper form; (2) the requisite number of Shares of the relevant Fund are not delivered by the DTC cutoff time, as required in the Authorized Participant Agreement; (3) during the period when the Redemption Order is placed, the Exchange is closed or trading on the Exchange is suspended or restricted; (4) during the period when the Redemption Order is placed, an emergency exists as a result of which disposal of the Shares of the Fund's portfolio securities or determination of its net asset value is not reasonably practicable; or (5) in such other circumstance as is permitted by the SEC.

#### **Settlement of Redemption Orders for Creation Units**

Redemption of Creation Units typically settle on a "T+2 basis" (that is two Business Days after trade date).

However, each Fund reserves the right to settle Redemption Orders for Creation Unit transactions on a basis other than T+2 in order to accommodate foreign market holiday schedules, to account for different treatment among foreign and U.S. markets of dividend record dates and ex-dividend dates (that is the last day the holder of a security can sell the security and still receive dividends payable on the security), and in certain other circumstances.

#### **Transaction Fees for Creation Unit Purchases and Redemptions**

Authorized Participants will be required to pay to the Funds' Custodian, as set forth in the Authorized Participant Agreement, a fixed transaction fee (the "Fixed Transaction Fee") to offset the transfer and other costs associated with the bundling and unbundling of securities and other assets that form Purchase Baskets and Redemption Baskets. Authorized Participants also will be required to pay the Trust a variable transaction fee (the "Variable Transaction Fee") for purchases of Creation Units effected outside the CNS Clearing Process or effected any part in cash, to offset the Trust's brokerage and other transaction costs associated with using cash to purchase or sell, as applicable, Fund securities and other assets.

The Advisor may waive the fixed Transaction Fee or Variable Transaction Fee. When determining whether to waive the Fixed Transaction Fee or Variable Transaction Fee, the Advisor considers a number of factors including, but not limited to, whether waiving the Fixed Transaction Fee or Variable Transaction Fee will: facilitate the initial launch of a Fund; reduce the cost of portfolio rebalancing; improve the quality of the secondary trading market for a Fund's Shares and not result in a Fund bearing additional costs or expenses as a result of the waiver.

### **CONTINUOUS OFFERING**

The method by which Creation Units are created and traded may raise certain issues under applicable securities laws. Because new Creation Units are issued and sold by the Trust on an ongoing basis, at any point a "distribution," as such term is used in the Securities Act, may occur. Broker-dealers and other persons are cautioned that some activities on their part may, depending on the circumstances, result in their being deemed participants in a distribution in a manner which could render them statutory underwriters and subject them to the prospectus delivery and liability provisions of the Securities Act.

For example, a broker-dealer firm or its client may be deemed a statutory underwriter if it takes Creation Units after placing an order with the Distributor, breaks them down into constituent Shares, and sells such Shares directly to customers, or if it chooses to couple the creation of a supply of new Shares with an active selling effort involving solicitation of Secondary Market demand for Shares. A determination of whether one is an underwriter for purposes of the Securities Act must take into account all the facts and circumstances pertaining to the activities of the broker-dealer or its client in the particular case, and the examples mentioned above should not be considered a complete description of all the activities that could lead to a categorization as an underwriter.

Broker-dealers who are not "underwriters" but are participating in a distribution (as contrasted to ordinary secondary trading transactions), and thus dealing with Shares that are part of an "unsold allotment" within the meaning of Section 4(3)© of the Securities Act, would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available in respect of such transactions as a result of Section 24(d) of the 1940 Act. As a result, broker-dealer firms should note that dealers who are not underwriters but are participating in a distribution (as contrasted with ordinary Secondary Market transactions) and thus dealing with the Shares that are part of an over-allotment within the meaning of Section 4(3)(A) of the Securities Act would be unable to take advantage of the prospectus delivery exemption provided by Section 4(3) of the Securities Act. Firms that incur a prospectus delivery obligation with respect to Shares are reminded that, under Rule 153 of the Securities Act, a prospectus delivery obligation under Section 5(b)(2) of the Securities Act owed to an exchange member in connection with a sale on the Exchange is satisfied by the fact that the prospectus is available at the Exchange upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

## **DETERMINATION OF NET ASSET VALUE**

The following information supplements and should be read in conjunction with the section in the Prospectus entitled “Determination of Net Asset Value (NAV).”

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, rounded to the nearest cent. Expenses and fees, including the management fee, are accrued daily and taken into account for purposes of determining NAV. The NAV of each Fund is determined as of the close of the regular trading session on the Exchange (ordinarily 4:00 p.m., Eastern time) on each day that such exchange is open. 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.

In computing each Fund’s NAV, the Fund’s portfolio securities are valued based on market quotations. When market quotations are not readily available for a portfolio security a Fund must use such security’s fair value as determined in good faith in accordance with the Fund’s Fair Value Pricing Procedures which are approved by the Board.

The value of each Fund’s portfolio securities is based on such securities’ closing price on local markets when available. If a portfolio security’s market price is not readily available or does not otherwise accurately reflect the fair value of such security, the portfolio security will be valued by another method that the Advisor believes will better reflect fair value in accordance with the Trust’s valuation policies and procedures approved by the Board. Each Fund may use fair value pricing in a variety of circumstances, including but not limited to, situations when the value of a Fund’s portfolio security has been materially affected by events occurring after the close of the market on which such security is principally traded (such as a corporate action or other news that may materially affect the price of such security) or trading in such security has been suspended or halted. In addition, each Fund may fair value foreign equity portfolio securities each day the Fund calculates its NAV. Accordingly, a Fund’s NAV may reflect certain portfolio securities’ fair values rather than their market prices. Fair value pricing involves subjective judgments and it is possible that a fair value determination for a portfolio security is materially different than the value that could be realized upon the sale of such security. In addition, fair value pricing could result in a difference between the prices used to calculate a Fund’s NAV and the prices used by the Fund’s Underlying Index. This may adversely affect a Fund’s ability to track its Underlying Index. With respect to securities that are primarily listed on foreign exchanges, the value of a Fund’s portfolio securities may change on days when you will not be able to purchase or sell your Shares.

## **DIVIDENDS AND DISTRIBUTIONS**

### **General Policies**

The following information supplements and should be read in conjunction with the section in the Prospectus entitled “Dividends, Distributions and Taxes.”

Dividends from net investment income are declared and paid at least annually by each Fund. Distributions of net realized capital gains, if any, generally are declared and paid once a year, but the Trust may make distributions on a more frequent basis for each Fund to improve its Underlying Index tracking or to comply with the distribution requirements of the Code, in all events in a manner consistent with the provisions of the 1940 Act. In addition, the Trust may distribute at least annually amounts representing the full dividend yield on the underlying Portfolio Securities of the Funds, net of expenses of the Funds, as if each Fund owned such underlying Portfolio Securities for the entire dividend period in which case some portion of each distribution may result in a return of capital for tax purposes for certain shareholders.

Dividends and other distributions on Shares are distributed, as described below, on a pro rata basis to Beneficial Owners of such Shares. Dividend payments are made through DTC Participants and Indirect Participants to Beneficial Owners then of record with proceeds received from the Trust. The Trust may make additional distributions to the extent necessary (i) to distribute the entire annual “investment company taxable income” of the Trust, plus any net capital gains and (ii) to avoid imposition of the excise tax imposed by Section 4982 of the Code. Management of the Trust reserves the right to declare special dividends if, in its reasonable discretion, such action is necessary or advisable to preserve the status of each Fund as a “regulated investment company” under the Code or to avoid imposition of income or excise taxes on undistributed income.

## **Dividend Reinvestment Service**

No reinvestment service is provided by the Trust. Broker-dealers may make available the DTC book-entry Dividend Reinvestment Service for use by Beneficial Owners of the Funds through DTC Participants for reinvestment of their dividend distributions. If this service is used, dividend distributions of both income and realized gains will be automatically reinvested in additional whole Shares of the Funds. Beneficial Owners should contact their broker to determine the availability and costs of the service and the details of participation therein. Brokers may require Beneficial Owners to adhere to specific procedures and timetables.

## **U.S. FEDERAL INCOME TAXATION**

Set forth below is a discussion of certain U.S. federal income tax considerations affecting the Funds and the purchase, ownership and disposition of Shares. It is based upon the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury Department regulations promulgated thereunder, judicial authorities, and administrative rulings and practices, all as in effect as of the date of this SAI and all of which are subject to change, possibly with retroactive effect. The following information supplements and should be read in conjunction with the section in the Prospectus entitled “Dividends, Distributions and Taxes.”

Except to the extent discussed below, this summary assumes that a Fund’s shareholders hold Shares as capital assets within the meaning of the Code, and do not hold Shares in connection with a trade or business. This summary does not address all potential U.S. federal income tax considerations possibly applicable to an investment in Shares, and does not address the tax consequences to Fund shareholders subject to special tax rules, including, but not limited to, partnerships and the partners therein, regulated investment companies (“RICs”), real estate investment trusts (“REITs”), real estate mortgage investment conduits (“REMICs”), tax-exempt shareholders, those who hold Shares through an IRA, 401(k) plan or other tax-advantaged account, and, except to the extent discussed below, non-U.S. shareholders. This discussion does not discuss any aspect of U.S. state, local, estate and gift, or non-U.S., tax law. Furthermore, this discussion is not intended or written to be legal or tax advice to any shareholder in a Fund or other person and is not intended or written to be used or relied on, and cannot be used or relied on, by any such person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Prospective Fund shareholders are urged to consult their own tax advisers with respect to the specific U.S. federal, state and local, and non-U.S., tax consequences of investing in Shares based on their particular circumstances.

The Funds have not requested and will not request an advance ruling from the U.S. Internal Revenue Service (“IRS”) as to the U.S. federal income tax matters described below. The IRS could adopt positions contrary to those discussed below and such positions could be sustained. Prospective investors should consult their own tax advisers with regard to the U.S. federal tax consequences of the purchase, ownership or disposition of Shares, as well as the tax consequences arising under the laws of any state, non-U.S. country or other taxing jurisdiction.

## **Tax Treatment of the Funds**

*In General.* Each Fund intends to qualify and elect to be treated as a separate regulated investment company under the Code. As a RIC, a Fund generally will not be required to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that it distributes to its shareholders.

To qualify and remain eligible for the special tax treatment accorded to RICs, each Fund must meet certain income, asset and distribution requirements, described in more detail below. Specifically, each Fund must (i) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock, securities or foreign currencies, other income (including, but not limited to, gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies and net income derived from interests in qualified publicly traded partnerships (“QPTPs”) (*i.e.*, partnerships that are traded on an established securities market or readily tradable on a secondary market, other than partnerships that derive at least 90% of their income from interest, dividends, and other qualifying RIC income described above), and (ii) diversify its holdings so that, at the end of each quarter of the Fund’s taxable year, (a) at least 50% of the value of the Fund’s assets is represented by cash, securities of other RICs, U.S. government securities and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater in value than 5% of the Fund’s total assets and not greater than 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of its assets is invested in the securities (other than U.S. government securities or securities of other RICs) of any one issuer, any two or more issuers of which 20% or more of the voting stock of each such issuer is held by the Fund and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses or in the securities of one or more QPTPs. Furthermore, each Fund must distribute annually at least 90% of the sum of (i) its “investment company taxable income” (which includes dividends, interest and net short-term capital gains) and (ii) its net tax-exempt interest income, if any.

*Failure to Maintain RIC Status.* If a Fund fails to qualify as a RIC for any year (subject to certain curative measures allowed by the Code), the Fund will be subject to regular corporate-level U.S. federal income tax in that year on all of its taxable income, regardless of whether the Fund makes any distributions to its shareholders. In addition, in such case, distributions will be taxable to a Fund's shareholders generally as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits, possibly eligible for (i) in the case of an individual Fund shareholder, treatment as a qualified dividend (as discussed below) subject to tax at preferential long-term capital gains rates or (ii) in the case of a corporate Fund shareholder, a dividends received deduction. The remainder of this discussion assumes that the Funds will qualify for the special tax treatment accorded to RICs.

*Excise Tax.* A Fund will be subject to a 4% excise tax on certain undistributed income generally if the Fund does not distribute to its shareholders in each calendar year an amount at least equal to the sum of 98% of its ordinary income for the calendar year, 98.2% of its capital gain net income for the twelve months ended October 31 of such year, plus 100% of any undistributed amounts from prior years. For these purposes, a Fund will be treated as having distributed any amount on which it has been subject to U.S. corporate income tax for the taxable year ending within such calendar year. Each Fund intends to make distributions necessary to avoid this 4% excise tax, although there can be no assurance that it will be able to do so.

*Phantom Income.* With respect to some or all of its investments, a Fund may be required to recognize taxable income in advance of receiving the related cash payment. For example, under the "wash sale" rules, a Fund may not be able to deduct currently a loss on a disposition of a portfolio security. As a result, a Fund may be required to make an annual income distribution greater than the total cash actually received during the year. Such distribution may be made from the existing cash assets of the Fund or cash generated from selling portfolio securities. The Fund may realize gains or losses from such sales, in which event the Fund's shareholders may receive a larger capital gain distribution than they would in the absence of such transactions. (See "Certain Debt Instruments").

*Certain Debt Instruments.* Some of the debt securities (with a fixed maturity date of more than one year from the date of issuance) that may be acquired by a Fund (such as zero-coupon debt instruments or debt instruments with payment-in-kind interest) may be treated as debt securities that are issued originally at a discount. Generally, the amount of original issue discount is treated as interest income and is included in income over the term of the debt security, even though payment of that amount is not received until a later time, usually when the debt security matures. If a Fund acquires debt securities (with a fixed maturity date of more than one year from the date of issuance) in the secondary market, such debt securities may be treated as having market discount. Generally, any gain recognized on the disposition of, and any partial payment of principal on, a debt security having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on such debt security. Market discount generally accrues in equal daily installments. A Fund may make one or more of the elections applicable to debt securities having market discount, which could affect the character and timing of recognition of income.

Some debt securities (with a fixed maturity date of one year or less from the date of issuance) that may be acquired by the Funds may be treated as having acquisition discount, or original issue discount in the case of certain types of debt securities. Generally, the Fund will be required to include the acquisition discount, or original issue discount, in income over the term of the debt security, even though payment of that amount is not received until a later time, usually when the debt security matures. A Fund may make one or more of the elections applicable to debt securities having acquisition discount, or original issue discount, which could affect the character and timing of recognition of income.

The Funds may invest a portion of their net assets in below investment grade instruments. Investments in these types of instruments may present special tax issues for the Funds. U.S. federal income tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, OID or market discount, when and to what extent deductions may be taken for bad debts or worthless instruments, how payments received on obligations in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable.

*PFIC Investments.* A Fund may purchase shares in a non-U.S. corporation treated as a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes. As a result, the Fund may be subject to increased U.S. federal income tax (plus charges in the nature of interest on previously-deferred income taxes on the PFIC's income) on any "excess distributions" made on, or gain from a sale (or other disposition) of, the PFIC shares even if the Fund distributes such income to its shareholders.

In lieu of the increased income tax and deferred tax interest charges on excess distributions on, and dispositions of, a PFIC's shares, the Fund can elect to treat the underlying PFIC as a "qualified electing fund," provided that the PFIC agrees to provide the Fund with certain information on an annual basis. With a "qualified electing fund" election in place, the Fund must include in its income each year its share (whether distributed or not) of the ordinary earnings and net capital gain of the PFIC.

In the alternative, a Fund can elect, under certain conditions, to mark-to-market at the end of each taxable year its PFIC shares. The Fund would recognize as ordinary income any increase in the value of the PFIC shares and as an ordinary loss (up to any prior net income resulting from the mark-to-market election) any decrease in the value of the PFIC shares.

With a “mark-to-market” or “qualified electing fund” election in place on a PFIC, a Fund might be required to recognize in a year income in excess of the sum of the actual distributions received by it on the PFIC shares and the proceeds from its dispositions of the PFIC’s shares. Any such income generally would be subject to the RIC distribution requirements and would be taken into account for purposes of the 4% excise tax (described above).

*Section 1256 Contracts.* A Fund’s investments in so-called “Section 1256 contracts,” such as certain futures contracts, most non-U.S. currency forward contracts traded in the interbank market and options on most stock indices, are subject to special tax rules. Section 1256 contracts held by a Fund at the end of its taxable year are required to be marked to their market value, and any unrealized gain or loss on those positions will be included in a Fund’s income as if each position had been sold for its fair market value at the end of the taxable year. The resulting gain or loss will be combined with any gain or loss realized by a Fund from positions in Section 1256 contracts closed during the taxable year. Provided such positions were held as capital assets and were not part of a “hedging transaction” or a “straddle,” 60% of the resulting net gain or loss will be treated as long-term gain or loss, and 40% of such net gain or loss will be treated as short-term capital gain or loss, regardless of the period of time the positions were actually held by a Fund. In addition, a Fund may be required to defer the recognition of losses on certain Section 1256 contracts to the extent of any unrecognized gains on related positions held by the Fund. Income from Section 1256 contracts generally would be subject to the RIC distribution requirements and would be taken into account for purposes of the 4% excise tax (described above).

*Swaps.* As a result of entering into swap contracts, a Fund may make or receive periodic net payments. A Fund also may make or receive a payment when a swap is terminated prior to maturity through an assignment of the swap or other closing transaction. Periodic net payments generally will constitute ordinary income or deductions, while termination of a swap generally will result in capital gain or loss (which will be a long-term capital gain or loss if a Fund has been a party to the swap for more than one year). With respect to certain types of swaps, a Fund may be required to currently recognize income or loss with respect to future payments on such swaps or may elect under certain circumstances to mark such swaps to market annually for tax purposes as ordinary income or loss. The tax treatment of many types of credit default swaps is uncertain.

*Short Sales.* In general, gain or loss on a short sale is recognized when a Fund closes the sale by delivering the borrowed property to the lender, not when the borrowed property is sold. If, however, a Fund already owns property that is identical to the kind it borrows and sells pursuant to a short sale “against the box,” and such pre-existing ownership position has appreciated (*i.e.*, the fair market value exceeds the Fund’s tax basis), the Fund may be required to recognize such gain at the time the borrowed stock is sold. Any gain or loss realized upon closing out a short sale generally is considered as capital gain or loss to the extent that the property used to close the short sale constitutes a capital asset in the Fund’s hands. Except with respect to certain situations where the property used by a Fund to close a short sale has a long-term holding period on the date of the short sale, special rules generally would treat the gains on short sales as short-term capital gains. These rules also may terminate the running of the holding period of “substantially identical property” held by a Fund. Moreover, a loss on a short sale will be treated as long-term capital loss if, on the date of the short sale, “substantially identical property” has been held by a Fund for more than one year. In general, a Fund will not be permitted to deduct payments made to reimburse the lender of securities for dividends paid on borrowed stock if the short sale is closed on or before the 45th day after the short sale is entered into.

*Foreign Currency Transactions.* Gains or losses attributable to fluctuations in exchange rates between the time a Fund accrues income, expenses or other items denominated in a foreign currency and the time the Fund actually collects or pays such items are generally treated as ordinary income or loss. Similarly, gains or losses on foreign currency forward contracts, certain foreign currency options and futures contracts and the disposition of debt securities denominated in a foreign currency, to the extent attributable to fluctuations in exchange rates between the acquisition and disposition dates, generally are also treated as ordinary income or loss, unless a Fund were to elect otherwise where such an election is permitted.

*Non-U.S. Investments.* Dividends, interest and proceeds from the direct or indirect sale of non-U.S. securities may be subject to non-U.S. withholding tax and other taxes, including financial transaction taxes. Even if a Fund is entitled to seek a refund in respect of such taxes, it may not have sufficient information to do so or may choose not to do so. Tax treaties between certain countries and the U.S. may reduce or eliminate such taxes in some cases. Non-U.S. taxes paid by a Fund will reduce the return from the Fund’s investments.

*Special or Uncertain Tax Consequences.* A Fund’s investment or other activities could be subject to special and complex tax rules that may produce differing tax consequences, such as disallowing or limiting the use of losses or deductions, causing the recognition of income or gain without a corresponding receipt of cash, affecting the time as to when a purchase or sale of stock or securities is deemed to occur or altering the characterization of certain complex financial transactions.

A Fund may engage in investment or other activities the treatment of which may not be clear or may be subject to recharacterization by the IRS. In particular, the tax treatment of certain swaps and other derivatives and income from foreign currency transactions is unclear for purposes of determining a Fund's status as a RIC. If a final determination on the tax treatment of a Fund's investment or other activities differs from the Fund's original expectations, the final determination could adversely affect the Fund's status as a RIC or the timing or character of income recognized by the Fund, requiring the Fund to purchase or sell assets, alter its portfolio or take other action in order to comply with the final determination.

## **Tax Treatment of Fund Shareholders**

### *Taxation of U.S. Shareholders*

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Shares applicable to "U.S. shareholders." For purposes of this discussion, a "U.S. shareholder" is a beneficial owner of Shares who, for U.S. federal income tax purposes, is (i) an individual who is a citizen or resident of the U.S.; (ii) a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) created or organized in the U.S. or under the laws of the U.S., or of any state thereof, or the District of Columbia; (iii) an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or (iv) a trust, if (a) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in place to be treated as a U.S. person.

*Fund Distributions.* In general, Fund distributions are subject to U.S. federal income tax when paid, regardless of whether they consist of cash or property and regardless of whether they are re-invested in Shares. However, any Fund distribution declared in October, November or December of any calendar year and payable to shareholders of record on a specified date during such month will be deemed to have been received by each Fund shareholder on December 31 of such calendar year, provided such dividend is actually paid during January of the following calendar year.

Distributions of a Fund's net investment income and a Fund's net short-term capital gains in excess of net long-term capital losses (collectively referred to as "ordinary income dividends") are taxable as ordinary income to the extent of the Fund's current and accumulated earnings and profits (subject to an exception for distributions of "qualified dividend income, as discussed below). Corporate shareholders of a Fund may be eligible to take a dividends received deduction with respect to some of such distributions, provided the distributions are attributable to dividends received by the Fund on stock of U.S. corporations with respect to which the Fund meets certain holding period and other requirements. Some portion of the ordinary income distributions that are attributable to dividends received by a Fund from shares in certain real estate investment trusts may be designated by the Fund as eligible for a deduction for qualified business income, provided certain holding period requirements are satisfied. To the extent designated as "capital gain dividends" by a Fund, distributions of a Fund's net long-term capital gains in excess of net short-term capital losses ("net capital gain") are taxable at long-term capital gain tax rates to the extent of the Fund's current and accumulated earnings and profits, regardless of a Fund shareholder's holding period in the Fund's Shares. Such dividends will not be eligible for a dividends received deduction by corporate shareholders.

An election may be available to you to defer recognition of the gain attributable to a capital gain dividend if you make certain qualifying investments within a limited time. You should talk to your tax adviser about the availability of this deferral election and its requirements.

A Fund's net capital gain is computed by taking into account the Fund's capital loss carryforwards, if any. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred in tax years beginning after December 22, 2010 can be carried forward indefinitely and retain the character of the original loss. To the extent that these carryforwards are available to offset future capital gains, it is probable that the amount offset will not be distributed to shareholders. In the event that a Fund were to experience an ownership change as defined under the Code, the Fund's loss carryforwards, if any, may be subject to limitation.

Distributions of "qualified dividend income" (defined below) are taxed to certain non-corporate shareholders at the reduced rates applicable to long-term capital gain to the extent of the Fund's current and accumulated earnings and profits, provided that the Fund shareholders meet certain holding period and other requirements with respect to the distributing Fund's Shares and the distributing Fund meets certain holding period and other requirements with respect to the dividend-paying stocks. Dividends subject to these special rules, however, are not actually treated as capital gains and, thus, are not included in the computation of a non-corporate shareholder's net capital gain and generally cannot be used to offset capital losses. The portion of distributions that a Fund may report as qualified dividend income generally is limited to the amount of qualified dividend income received by the Fund, but if for any Fund taxable year 95% or more of the Fund's gross income (exclusive of net capital gain from sales of stock and securities) consists of qualified dividend income, all distributions of such income for that taxable year may be reported as qualified dividend income. For this purpose, "qualified dividend income" generally means income from dividends received by a Fund from U.S. corporations and qualified non-U.S. corporations. Income from dividends received by a Fund from a REIT or another RIC generally is qualified dividend income only to the extent that the dividend distributions are made out of qualified dividend income received by such REIT or other RIC.

To the extent that a Fund makes a distribution of income received by such Fund in lieu of dividends with respect to securities on loan pursuant to a securities lending transaction, such income will not constitute qualified dividend income to individual shareholders and will not be eligible for the dividends received deduction for corporate shareholders.

Distributions in excess of a Fund's current and accumulated earnings and profits will, as to each shareholder, be treated as a tax-free return of capital to the extent of the shareholder's tax basis in its Shares of the Fund, and as a capital gain thereafter (assuming the shareholder holds its Shares of the Fund as capital assets).

Each Fund intends to distribute its net capital gain at least annually. However, by providing written notice to its shareholders no later than 60 days after its year-end, a Fund may elect to retain some or all of its net capital gain and designate the retained amount as a "deemed distribution." In that event, the Fund pays U.S. federal income tax on the retained net capital gain, and each Fund shareholder recognizes a proportionate share of the Fund's undistributed net capital gain. In addition, each Fund shareholder can claim a tax credit or refund for the shareholder's proportionate share of the Fund's U.S. federal income taxes paid on the undistributed net capital gain and increase the shareholder's tax basis in the Shares by an amount equal to the shareholder's proportionate share of the Fund's undistributed net capital gain, reduced by the amount of the shareholder's tax credit or refund. Organizations or persons not subject to U.S. federal income tax on such net capital gain may be entitled to a refund of their pro rata share of such taxes paid by the Fund upon timely filing appropriate returns or claims for refund with the IRS.

With respect to non-corporate Fund shareholders (*i.e.*, individuals, trusts and estates), ordinary income and short-term capital gain are taxed at a current maximum rate of 37% and long-term capital gain is generally taxed at a current maximum rate of 20%. If you are an individual, the maximum marginal stated federal tax rate for net capital gain is generally 20% (15% or 0% for taxpayers with taxable incomes below certain thresholds). Some capital gains, including some portion of your capital gain dividends may be taxed at a higher maximum stated tax rate. In addition, capital gain received from assets held for more than one year that is considered "unrecaptured section 1250 gain" (which may be the case, for example, with some capital gains attributable to equity interests in real estate investment trusts or master limited partnerships holding real estate) is taxed at a maximum marginal stated federal tax rate of 25%. In the case of capital gain dividends, the determination of which portion of the capital gain dividend, if any, is subject to the 25% tax rate, will be made based on rules prescribed by the United States Treasury. Corporate shareholders are taxed at a current maximum rate of 21% on their income and gain.

In addition, high income individuals (and certain trusts and estates) generally will be subject to a 3.8% Medicare tax on "net investment income," in addition to otherwise applicable U.S. federal income tax. "Net investment income" generally will include taxable dividends (including capital gain dividends) received from a Fund and net gains from the redemption or other disposition of Shares. Please consult your tax adviser regarding this tax.

If a Fund is a "qualified fund of funds" (*i.e.*, a RIC at least 50% of the value of the total assets of which, at the close of each quarter of the taxable year, is represented by interests in other RICs) or more than 50% of the Fund's total assets at the end of the taxable year consist of non-U.S. stock or securities, the Fund may elect to "pass through" to its shareholders certain non-U.S. income taxes paid by the Fund. This means that each shareholder will be required to (i) include in gross income, even though not actually received, the shareholder's pro rata share of the Fund's non-U.S. income taxes, and (ii) either take a corresponding deduction (in calculating U.S. federal taxable income) or credit (in calculating U.S. federal income tax), subject to certain limitations. Investors considering buying Shares just prior to a distribution should be aware that, although the price of the Shares purchased at such time may reflect the forthcoming distribution, such distribution nevertheless may be taxable (as opposed to a non-taxable return of capital).

*Exempt-Interest Dividends.* If at the end of each quarter of a Fund's taxable year, (i) the Fund is a qualified fund of funds (as defined above), or (ii) 50% or more of its assets, by value, consist of certain obligations exempt from U.S. federal income tax under Section 103(a) of the Code (relating generally to obligations of a state or local governmental unit), the Fund shall be qualified to designate a portion of its dividends as "exempt-interest dividends." Exempt-interest dividends generally will be excludable from a shareholder's gross income for U.S. federal income tax purposes. Exempt-interest dividends will be included, however, in determining the portion, if any, of a person's social security and railroad retirement benefit payments subject to U.S. federal income tax. Interest on indebtedness incurred to purchase or carry shares of a Fund that pays exempt-interest dividends will not be deductible by the shareholders for U.S. federal income tax purposes to the extent attributable to exempt-interest dividends.

If a Fund invests in "private activity bonds," a portion of the exempt-interest dividends paid by such Fund may be treated as an item of "tax preference" and, therefore, could subject certain shareholders of the Fund to the U.S. federal alternative minimum tax on individuals.



For tax years beginning after December 31, 2022, tax exempt interest dividends may affect the corporate alternative minimum tax for certain corporations.

*REIT/REMIC Investments.* A Fund may invest in REITs owning residual interests in REMICs. Certain income from a REIT that is attributable to a REMIC residual interest (known as “excess inclusion” income) is allocated to a Fund’s shareholders in proportion to the dividends received from the Fund, producing the same income tax consequences as if the Fund shareholders directly received the excess inclusion income. In general, the taxable income of any holder of a residual interest cannot be less than the excess interest inclusion. For example, excess inclusion income (i) cannot be offset by net operating losses (subject to a limited exception for certain thrift institutions), (ii) constitutes “unrelated business taxable income” to certain entities (such as a qualified pension plan, an individual retirement account, a 401(k) plan, a Keogh plan or other tax-exempt entity), and (iii) in the case of a non-U.S. shareholder, does not qualify for any withholding tax reduction or exemption. In addition, if at any time during any taxable year certain types of entities own Shares, the Fund will be subject to a tax equal to the product of (i) the excess inclusion income allocable to such entities and (ii) the highest U.S. federal income tax rate imposed on corporations (currently 21%). A Fund also is subject to information reporting with respect to any excess inclusion income.

*Sales or Exchanges of Shares.* Any capital gain or loss realized upon a sale or exchange of Shares generally is treated as a long-term gain or loss if the Shares have been held for more than one year. Any capital gain or loss realized upon a sale or exchange of Shares held for one year or less generally is treated as a short-term gain or loss, except that any capital loss on the sale of Shares held for six months or less is treated as long-term capital loss to the extent that capital gain dividends were paid (or deemed to be paid) with respect to such Shares. Furthermore, a loss realized by a shareholder on the sale or exchange of Shares of a Fund with respect to which exempt-interest dividends have been paid may, to the extent of such exempt-interest dividends, be disallowed if such Shares have been held by the shareholder for six months or less at the time of their disposition. All or a portion of any loss realized upon a sale or exchange of Shares also will be disallowed if substantially identical shares are purchased (through reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after the date of disposition of the Shares. In such a case, the basis of the newly purchased shares will be adjusted to reflect the disallowed loss.

An election may be available to you to defer recognition of capital gain if you make certain qualifying investments within a limited time. You should talk to your tax adviser about the availability of this deferral election and its requirements.

Legislation passed by Congress requires reporting to the IRS and to taxpayers of adjusted cost basis information for “covered securities,” which generally include shares of a RIC acquired on or after January 1, 2012. Shareholders should contact their brokers to obtain information with respect to the available cost basis reporting methods and available elections for their accounts.

*Creation Unit Issues and Redemptions.* On an issue of Shares as part of a Creation Unit, made by means of an in-kind deposit, an Authorized Participant recognizes capital gain or loss (assuming the Authorized Participant does not hold the securities as inventory) equal to the difference between (i) the fair market value (at issue) of the issued Shares (plus any cash received by the Authorized Participant as part of the issue) and (ii) the Authorized Participant’s aggregate basis in the exchanged securities (plus any cash paid by the Authorized Participant as part of the issue). On a redemption of Shares as part of a Creation Unit where the redemption is conducted in-kind by a payment of Fund Securities, an Authorized Participant recognizes capital gain or loss (assuming the Authorized Participant does not hold the securities as inventory) equal to the difference between (i) the fair market value (at redemption) of the securities received (plus any cash received by the Authorized Participant as part of the redemption) and (ii) the Authorized Participant’s basis in the redeemed Shares (plus any cash paid by the Authorized Participant as part of the redemption). However, the IRS may assert, under the “wash sale” rules or on the basis that there has been no significant change in the Authorized Participant’s economic position, that any loss on an issue or redemption of Creation Units cannot be deducted currently.

In general, any capital gain or loss recognized upon the issue or redemption of Shares (as components of a Creation Unit) is treated either as long-term capital gain or loss, if the deposited securities (in the case of an issue) or the Shares (in the case of a redemption) have been held for more than one year, or otherwise as short-term capital gain or loss. However, any capital loss on a redemption of Shares held for six months or less is treated as long-term capital loss to the extent that capital gain dividends were paid (or deemed to be paid) with respect to such Shares.

Furthermore, a loss realized on the redemption of Shares of a Fund with respect to which exempt-interest dividends have been paid may, to the extent of such exempt-interest dividends, be disallowed if such Shares have been held for six months or less at the time of their disposition.

*Reportable Transactions.* If a Fund shareholder recognizes a loss with respect to Shares of \$2 million or more (for an individual Fund shareholder) or \$10 million or more (for a corporate shareholder) in any single taxable year (or a greater loss over a combination of years), the Fund shareholder may be required file a disclosure statement with the IRS. Significant penalties may be imposed upon the failure to comply with these reporting rules. Shareholders should consult their tax advisers to determine the applicability of these rules in light of their individual circumstances.

### Taxation of Non-U.S. Shareholders

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Shares applicable to “non-U.S. shareholders.” For purposes of this discussion, a “non-U.S. shareholder” is a beneficial owner of Shares that is not a U.S. shareholder (as defined above) and is not an entity or arrangement treated as a partnership for U.S. federal income tax purposes. The following discussion is based on current law, and is for general information only. It addresses only selected, and not all, aspects of U.S. federal income taxation.

*Dividends.* With respect to non-U.S. shareholders of a Fund, the Fund’s ordinary income dividends generally will be subject to U.S. federal withholding tax at a rate of 30% (or at a lower rate established under an applicable tax treaty). However, ordinary income dividends that are “interest-related dividends” or “short-term capital gain dividends” (each as defined below) and capital gain dividends generally will not be subject to U.S. federal withholding (or income) tax, provided that the non-U.S. shareholder furnishes the Fund with a completed IRS Form W-8BEN or W-8BEN-E, as applicable, (or acceptable substitute documentation) establishing the non-U.S. shareholder’s non-U.S. status and the Fund does not have actual knowledge or reason to know that the non-U.S. shareholder would be subject to such withholding tax if the non-U.S. shareholder were to receive the related amounts directly rather than as dividends from the Fund. “Interest-related dividends” generally means dividends designated by a Fund as attributable to such Fund’s U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which such Fund is at least a 10% shareholder, reduced by expenses that are allocable to such income. “Short-term capital gain dividends” generally means dividends designated by a Fund as attributable to the excess of such Fund’s net short-term capital gain over its net-long term capital loss. Depending on its circumstances, a Fund may treat such dividends, in whole or in part, as ineligible for these exemptions from withholding.

Notwithstanding the foregoing, special rules apply in certain cases, including as described below. For example, in cases where dividend income from a non-U.S. shareholder’s investment in a Fund is effectively connected with a trade or business of the non-U.S. shareholder conducted in the U.S., the non-U.S. shareholder generally will be exempt from withholding tax, but will be subject to U.S. federal income tax at the graduated rates applicable to U.S. shareholders. Such income generally must be reported on a U.S. federal income tax return. Furthermore, such income also may be subject to the 30% branch profits tax in the case of a non-U.S. shareholder that is a corporation. In addition, if a non-U.S. shareholder is an individual who is present in the U.S. for 183 days or more during the taxable year and has “tax home” in the U.S., any gain incurred by such shareholder with respect to his or her capital gain dividends and short-term capital gain dividends would be subject to a 30% U.S. federal income tax (which, in the case of short-term capital gain dividends, may, in certain instances, be withheld at source by a Fund). Lastly, special rules apply with respect to dividends that are subject to the Foreign Investment in Real Property Act (“FIRPTA”), discussed below (see “Investments in U.S. Real Property”).

For tax years after December 31, 2022, amounts paid to or recognized by a non-U.S. affiliate that are excluded from tax under the portfolio interest, capital gain dividends, short-term capital gains or tax-exempt interest dividend exceptions or applicable treaties, may be taken into consideration in determining whether a corporation is an “applicable corporation” subject to a 15% minimum tax on adjusted financial statement income.

*Sales of Fund Shares.* Under current law, gain on a sale or exchange of Shares generally will be exempt from U.S. federal income tax (including withholding at the source) unless (i) the non-U.S. shareholder is an individual who was physically present in the U.S. for 183 days or more during the taxable year and has a “tax home” in the U.S., in which case the non-U.S. shareholder would incur a 30% U.S. federal income tax on his capital gain, (ii) the gain is effectively connected with a U.S. trade or business conducted by the non-U.S. shareholder (in which case the non-U.S. shareholder generally would be taxable on such gain at the same graduated rates applicable to U.S. shareholders, would be required to file a U.S. federal income tax return and, in the case of a corporate non-U.S. shareholder, may also be subject to the 30% branch profits tax), or (iii) the gain is subject to FIRPTA, as discussed below (see “Investments in U.S. Real Property”).

*Credits or Refunds.* To claim a credit or refund for any Fund-level taxes on any undistributed long-term capital gains (as discussed above) or any taxes collected through withholding, a non-U.S. Fund shareholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the non-U.S. Fund shareholder would not otherwise be required to do so.

*Investments in U.S. Real Property.* Subject to the exemptions described below, a non-U.S. shareholder generally will be subject to U.S. federal income tax under FIRPTA on any gain from the sale or exchange of Shares if the Fund is a “U.S. real property holding corporation” (as defined below) at any time during the shorter of the period during which the non-U.S. shareholder held such Shares and the five-year period ending on the date of the disposition of those Shares. Any such gain will be taxed in the same manner as for income that is effectively connected with a trade or business of the non-U.S. shareholder conducted in the U.S. and in certain cases will be collected through withholding at the source in an amount equal to 15% of the sales proceeds. A Fund will be a “U.S. real property holding corporation” if the fair market value of its “U.S. real property interests” (“USRPIs”) (which includes shares of U.S. real property holding corporations and certain participating debt securities) equals or exceeds 50% of the fair market value of such interests plus its interests in real property located outside the U.S. plus any other assets used or held for use in a business.

An exemption from FIRPTA applies if either (i) the class of Shares disposed of by the non-U.S. shareholder is regularly traded on an established securities market (as determined for U.S. federal income tax purposes) and the non-U.S. shareholder did not actually or constructively hold more than 5% of such class of Shares at any time during the five-year period prior to the disposition, or (ii) the Fund is a “domestically-controlled RIC.” A “domestically-controlled RIC” is any RIC in which at all times during the relevant testing period 50% or more in value of the RIC’s stock is owned by U.S. persons.

Furthermore, special rules apply under FIRPTA in respect of distributions attributable to gains from USRPIs. In general, if a Fund is a U.S. real property holding corporation (taking certain special rules into account), distributions by such Fund attributable to gains from USRPIs will be treated as income effectively connected with a trade or business within the U.S., subject generally to tax at the same graduated rates applicable to U.S. shareholders and, in the case of a corporation that is a non-U.S. shareholder, a “branch profits” tax at a rate of 30% (or other applicable lower treaty rate). Such distributions will be subject to U.S. federal withholding tax and generally will give rise to an obligation on the part of the non-U.S. shareholder to file a U.S. federal income tax return.

Even if a Fund is treated as a U.S. real property holding corporation, distributions on the Fund’s Shares will not be treated, under the rule described above, as income effectively connected with a U.S. trade or business in the case of a non-U.S. shareholder that owns (for the applicable period) 5% or less (by class) of Shares and such class is regularly traded on an established securities market for U.S. federal income tax purposes (but such distribution will be treated as ordinary dividends, which may be subject to U.S. tax and withholding). Non-U.S. shareholders that engage in certain “wash sale” and/or substitute dividend payment transactions the effect of which is to avoid the receipt of distributions from the Fund that would be treated as gain effectively connected with a U.S. trade or business will be treated as having received such distributions.

All shareholders of the Fund should consult their tax advisers regarding the application of the rules described above.

#### Back-Up Withholding

A Fund (or a financial intermediary such as a broker through which a shareholder holds Shares in a Fund) may be required to report certain information on a Fund shareholder to the IRS and withhold U.S. federal income tax (“backup withholding”) at a 24% rate from taxable distributions and redemption or sale proceeds payable to the Fund shareholder if (i) the Fund shareholder fails to provide the Fund with a correct taxpayer identification number or make required certifications, or if the IRS notifies the Fund that the Fund shareholder is otherwise subject to backup withholding, and (ii) the Fund shareholder is not otherwise exempt from backup withholding. Non-U.S. shareholders can qualify for exemption from backup withholding by submitting a properly completed IRS Form W-8BEN or W-8BEN-E. Backup withholding is not an additional tax and any amount withheld may be credited against a Fund shareholder’s U.S. federal income tax liability.

#### Foreign Account Tax Compliance Act

The U.S. Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30% withholding tax on “withholdable payments” (defined below) made to (i) a “foreign financial institution” (“FFI”), unless the FFI enters into an agreement with the IRS to provide information regarding certain of its direct and indirect U.S. account holders and satisfies certain due diligence and other specified requirements, and (ii) a “non-financial foreign entity” (“NFFE”) unless such NFFE provides certain information to the withholding agent about certain of its direct and indirect “substantial U.S. owners” or certifies that it has no such U.S. owners. The beneficial owner of a “withholdable payment” may be eligible for a refund or credit of the withheld tax. The U.S. government also has entered into several intergovernmental agreements with other jurisdictions to provide an alternative, and generally easier, approach for FFIs to comply with FATCA.

If the shareholder is a tax resident in a jurisdiction that has entered into an intergovernmental agreement with the U.S. government, the shareholder will be required to provide information about the shareholder’s classification and compliance with the intergovernmental agreement.

“Withholdable payments” generally include, among other items, (i) U.S.-source interest and dividends, and (ii) gross proceeds from the sale or disposition of property of a type that can produce U.S.-source interest or dividends. Proposed regulations may eliminate the requirement to withhold on gross proceeds.

A Fund may be required to impose a 30% withholding tax on withholdable payments to a shareholder if the shareholder fails to provide the Fund with the information, certifications or documentation required under FATCA, including information, certification or documentation necessary for the Fund to determine if the shareholder is a non-U.S. shareholder or a U.S. shareholder and, if it is a non-U.S. shareholder, if the non-U.S. shareholder has “substantial U.S. owners” and/or is in compliance with (or meets an exception from) FATCA requirements. The Fund will not pay any additional amounts to shareholders in respect of any amounts withheld. The Fund may disclose any shareholder information, certifications or documentation to the IRS or other parties as necessary to comply with FATCA. The requirements of, and exceptions from, FATCA are complex. All prospective shareholders are urged to consult their own tax advisers regarding the potential application of FATCA with respect to their own situation.

### **Section 351**

The Trust, on behalf of each Fund, has the right to reject an order for a purchase of Shares of the Fund if the purchaser (or any group of purchasers) would, upon obtaining the shares so ordered, own 80% or more of the outstanding Shares of a given Fund and if, pursuant to Section 351 of the Code, that Fund would have a basis in the Deposit Securities different from the market value of such securities on the date of deposit. The Trust also has the right to require information necessary to determine beneficial share ownership for purposes of the 80% determination.

You should consult your tax adviser regarding potential foreign, state or local taxation with respect to your Shares.

### **OTHER INFORMATION**

The Funds are not sponsored, endorsed, sold or promoted by the Exchange. The Exchange makes no representation or warranty, express or implied, to the owners of Shares or any member of the public regarding the advisability of investing in securities generally or in the Funds particularly or the ability of the Funds to achieve their objective. The Exchange has no obligation or liability in connection with the administration, marketing or trading of the Funds.

For purposes of the 1940 Act, the Funds are registered investment companies, and the acquisition of Shares by other registered investment companies and companies relying on exemption from registration as investment companies under Sections 3(c)(1) or 3(c)(7) of the 1940 Act are subject to the restrictions of Section 12(d)(1) of the 1940 Act and the related rules and interpretations.

Shareholder inquiries may be made by writing to the Trust, c/o IndexIQ Advisors LLC, 51 Madison Avenue, New York, New York 10010.

### **FINANCIAL STATEMENTS**

The audited financial statements and notes thereto for the Funds contained in the Funds’ [Annual Report to Shareholders for their fiscal year ended April 30, 2023](#) (the “Annual Report”) are incorporated by reference into this SAI. No other parts of the Annual Report are incorporated by reference herein.

The financial statements included in the Annual Report have been audited by PricewaterhouseCoopers LLP, the Funds’ independent registered public accounting firm, whose report thereon also appears in the Annual Report and is incorporated by reference into this SAI. Such financial statements have been incorporated by reference herein in reliance upon such report given upon their authority as experts in accounting and auditing.

A copy of the Annual Report for the fiscal year ended April 30, 2023, may be obtained upon request and without charge by calling the Advisor, writing the Trust or visiting the Funds’ website as follows:

By telephone: 1-888-474-7725  
By mail: IndexIQ ETF Trust  
c/o IndexIQ Advisors LLC  
51 Madison Avenue  
New York, NY 10010

On the Internet: [newyorklifeinvestments.com/etf](http://newyorklifeinvestments.com/etf)

## **APPENDIX A**

### **SUMMARY OF PROXY VOTING POLICY AND PROCEDURES**

It is IndexIQ's policy that all proxies shall be voted in the best interest of clients without regard to the interests of the Advisor or other related parties. In voting proxies, IndexIQ strives to take into account long-term economic value in evaluating issues relating to items such as corporate governance, including structures and practices, accountability and transparency, the nature of long-term business plans, including sustainability policies and practices to address environmental and social factors that are likely to have an impact on shareholder value, and other non-financial measures of corporate performance. Accordingly, the Adviser votes all proxies with these goals in mind in accordance with the guidelines outlined below.

The Advisor has selected Institutional Shareholder Services Inc. ("ISS"), a proxy research and voting service, to assist it in researching and voting proxies. ISS helps institutional investors research the financial implications of proxy proposals and cast votes that will protect and enhance shareholder returns. ISS provides research and analytical services, operational implementation, recordkeeping, and reporting services to research each proxy and provide a recommendation to the Advisor as to how to vote on each issue.

For Funds that track an Index that incorporates environmental, sustainable and governance factors ("ESG"), the Advisor has adopted ISS's Socially Responsible Investing proxy voting guidelines ("SRI Guidelines"), which are designed to address the dual financial and social objectives of ESG focused shareholders. For Funds that do not track an Index that incorporates ESG factors, the Advisor has adopted ISS's Sustainability Guidelines ("Sustainability Guidelines") with respect to recurring issues. The Sustainability Guidelines address interests of sustainability-minded investors, which are concerned not only with economic returns and good corporate governance, but also with ensuring corporate activities and practices are aligned with the broader objectives of society. The Sustainability Guidelines are meant to convey the Advisor's general approach to voting decisions on certain issues. Nevertheless, the Advisor maintains responsibility for making final decisions based on the merits of each case and when ISS defers a determination to the Advisor. The Advisor may vote differently on a proposal for different Funds.

All proxy voting proposals are reviewed, categorized, analyzed and voted in accordance with the Voting Guidelines (as outlined above). These guidelines are reviewed periodically and updated as necessary to reflect new issues and any changes in our policies on specific issues. Items that can be categorized under the Voting Guidelines will be voted in accordance with any applicable guidelines. Proposals that cannot be categorized under the Voting Guidelines will be referred to the Portfolio Oversight Committee for discussion and vote. Additionally, the Portfolio Oversight Committee may review any proposal where it has identified a particular company, industry or issue for special scrutiny, or when a potential conflict of interest may exist. With regard to voting proxies of foreign companies, the Advisor weighs the cost of voting, and potential inability to sell the securities (which may occur during the voting process) against the benefit of voting the proxies to determine whether or not to vote.

ME14-08/23