



This ADV brochure, dated March 28, 2018  
provides information about the qualifications and business practices of:

## **INDEXIQ ADVISORS LLC**

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*The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. In addition, registration as an investment adviser does not imply a certain level of skill or training. Additional information about IndexIQ Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

Since our last annual update, filed March 31, 2017, the following material occurred:

1. Jonathan Zimmerman was appointed Chief Operating Officer; and
2. Adam Patti and David Fogel, previously the Chief Executive Officer and President, respectively, have become Senior Advisors to the IndexIQ Advisors LLC. Kirk Lehneis was appointed Chief Executive Officer.

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## **ITEM 4: ADVISORY BUSINESS**

### **Advisory Services**

IndexIQ Advisors LLC (“IndexIQ” or the “Firm”) is an indirect wholly-owned subsidiary of New York Life Insurance Company (“New York Life”). As of December 31, 2017, IndexIQ managed \$ 3,925,364,667 of client assets on a discretionary basis, and \$10,073,069 of client assets on a non-discretionary basis.<sup>1</sup>

IndexIQ has been operating since July 2007, and has been registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) since August 9, 2007. IndexIQ was acquired by New York Life Investment Management Holdings LLC (“New York Life Investment Management”) in April 2015. IndexIQ is wholly-owned by IndexIQ LLC. IndexIQ LLC is a wholly-owned subsidiary of Financial Development LLC. Financial Development LLC is a wholly-owned subsidiary of New York Life Investment Management, a subsidiary of New York Life.

IndexIQ LLC develops and maintains proprietary financial indices (the “IndexIQ Indices”) and other financial products (together with the IndexIQ Indices, the “IndexIQ Products”). For certain IndexIQ Indices, IndexIQ LLC has engaged index consultants to assist IndexIQ LLC with the development, calculation and maintenance of certain IndexIQ Indices. Index Consultants may be affiliated with IndexIQ LLC. IndexIQ provides investment advisory services to clients, including by utilizing the IndexIQ Products.

IndexIQ offers discretionary investment advisory services to registered investment advisers, broker-dealers, and to open-end Registered Investment Companies (“RICs”) operating as mutual funds (“Mutual Funds”) or exchange-traded funds (“ETFs”), collective investment vehicles domiciled outside of the United States, including funds regulated under the Undertakings for Collective Investment in Transferable Securities Directive (“UCITS”), individuals, trusts, retirement accounts (IRAs, pensions and profit sharing plans), corporations, and other institutions. IndexIQ also offers services to Unified Managed Account (“UMA”), which are typically non-discretionary, Wrap (“Wrap”), Model Portfolio and other advisory programs of third-party sponsors (collectively, “Sponsored Programs”). These investment advisory services may be tailored to meet our client’s needs. Client imposed restrictions are detailed in the client’s investment advisory agreement, or in such other form as agreed upon by IndexIQ and the client. With respect to UMAs and Model Portfolios, the services are generally limited to providing model portfolios to the sponsor of Sponsor Programs, but in some cases, IndexIQ may also provide trading services, depending upon the sponsor of Sponsor Programs agreement. IndexIQ has the discretion to retain affiliated and unaffiliated third-party subadvisers (each, a “Subadviser”) for portfolio management services. If a Subadviser is retained, IndexIQ may delegate trading authority to the Subadviser subject to IndexIQ’s oversight. IndexIQ also may enter into partnerships with third parties to offer IndexIQ Products, or to develop new products. IndexIQ currently has subadvisory agreements with MacKay Shields LLC (“MacKay”), an affiliated SEC registered investment adviser. MacKay is the Subadviser to certain ETFs managed by IndexIQ. MacKay subadvises active and passive ETFs. For additional information regarding the MacKay’s

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<sup>1</sup> Based on 12/31/17 account values.

investment strategies, processes and procedures for selecting securities and other investment products held in an account, and the associated risks, please refer to MacKay's Form ADV Part 2A Brochure. IndexIQ has entered into an agreement with New York Life Investment Management LLC ("NYLIM"), an affiliated registered investment adviser, to assist IndexIQ in providing services to Sponsored Programs.

## **I. Managed Accounts**

IndexIQ may enter into a Managed Account Agreement (each, an "Account Agreement") with non-RIC clients or financial institutions that offer both non-sponsored programs or Sponsored Programs in which IndexIQ participates. Generally, IndexIQ's managed accounts that are linked to the same IndexIQ Product will hold the same securities positions in the same proportions. However, in certain cases, security positions, may differ due to sponsor specifications.

## **II. Sponsored Wrap Fee, Unified Managed Account, and Related Programs**

IndexIQ may participate in various Sponsored Programs through which clients of broker-dealers and other financial institutions retain IndexIQ as a discretionary or non-discretionary adviser under wrap fee or other arrangements offered by the programs' sponsors wherein the client selects IndexIQ from among the investment advisers presented by the broker or financial institution to the client. The broker or financial institution also may evaluate IndexIQ's performance, execute the portfolio transactions, and/or provide custodial services for the client's assets.

IndexIQ understands that the program sponsor bears responsibility for determining whether advisory services provided to participants in the Sponsored Programs are suitable in light of the participants' particular facts and circumstances. IndexIQ remains responsible for determining that it is properly carrying out the services that it has agreed to provide as part of the Sponsored Programs.

A Sponsored Program client may terminate the account arrangement upon a specified period of notice to the broker or other financial institution and upon termination any prepaid fee is refundable on a pro-rata basis for the period unearned.

Although the foregoing describes how these Sponsored Programs operate and IndexIQ's role in these programs, each program's operations may contain certain features or roles of IndexIQ that vary from the description herein. NYLIM provides certain trade execution and administrative services to IndexIQ to support IndexIQ's management of Sponsored Program accounts.

For additional information about these Sponsored Programs, please consult the disclosure brochures of the Sponsored Programs.

## **III. Model Portfolios**

From time to time, IndexIQ may enter into agreements to provide model securities portfolios ("Model Portfolios") to other investment advisers in their managed account or similar Sponsored Programs. IndexIQ may not have discretion over client accounts with respect to providing Model Portfolios and its responsibilities are generally limited to providing non-discretionary Model Portfolios to such advisers, and certain activities related thereto. In this regard, IndexIQ's activities

do not include trade execution or other advisory functions performed by the other adviser or overlay or implementation manager for Sponsored Program clients. These other advisers or third-party overlay or implementation managers, use the Model Portfolios as recommendations for how to trade and invest the program clients' accounts. IndexIQ's Model Portfolio service is not tailored to the individual clients of the other advisers or the program. IndexIQ is generally not provided with specific client information such as identity or specific financial circumstances regarding such Sponsored Program clients. At the request of a Model Portfolio sponsor or implementation manager, IndexIQ may provide recommendations to the sponsor or implementation manager regarding securities and investments the sponsor or implementation manager may wish to consider purchasing for tax management purposes or strategies determined and implemented by the sponsor or implementation manager. Such recommendations could include ETFs managed by IndexIQ that pay management fees to IndexIQ.

IndexIQ currently provides Model Portfolios to the following:

- Fortigent, LLC ("Fortigent")

IndexIQ provides a Model Portfolio for use in Fortigent's unified managed account ("UMA") program, which is managed by one or more overlay managers selected by Fortigent. IndexIQ's model portfolio recommendations are implemented by an overlay manager, as implementation manager. For its Model Portfolio services, IndexIQ receives a fee equal to a specified percent of the net asset value of the accounts to which IndexIQ's model portfolio has been assigned.

- SEI Investments Management Corporation ("SEI")

IndexIQ provides a Model Portfolio for use in the SEI Managed Account Program ("MAP"). IndexIQ's model portfolio recommendations are implemented by either SEI or a separate manager, as implementation manager. For its Model Portfolio services, IndexIQ receives a quarterly fee based on the average daily market value of the assets that trade using the Model Portfolio.

- Morgan Stanley Select UMA Program

IndexIQ provides a Model Portfolio for use in the Morgan Stanley Select UMA Program. Morgan Stanley, as Overlay Manager, reviews the portfolio recommendations made by IndexIQ and implements trades for its clients. For its Model Portfolio services, IndexIQ receives a quarterly fee based on (i) the target percentage asset allocation to the model portfolio selected by Morgan Stanley for each Morgan Stanley client, times (ii) the fair market value of the assets invested in each Morgan Stanley client account, times (iii) a quarterly basis point fee.

For additional information about the foregoing Sponsored Programs, please consult the disclosure brochures of such Sponsored Programs.

In addition, IndexIQ also may provide model portfolios pursuant to license or similar agreements to other investment advisers for use by them in proprietary programs sponsored by such other advisers.

#### **IV. Registered Investment Companies**

IndexIQ provides investment advisory services to open-end RICs operating as Mutual Funds or ETFs (collectively with Mutual Funds, the “Registered Funds” and, each, a “Registered Fund”) in accordance with Investment Advisory Agreements with the Registered Fund as approved by the applicable Registered Fund’s Board of Trustees (“Board”).

For its Registered Fund clients, IndexIQ has the overall responsibility for the general management and administration of the Registered Funds, subject to the supervision of the applicable Board. In accordance with the applicable Investment Advisory Agreements, IndexIQ provides an investment program for each Registered Fund and manages the investment of each Registered Fund’s assets in conformity with the stated investment policies of such Registered Fund. IndexIQ may also retain Subadvisers to manage a Registered Fund’s assets if IndexIQ determines not to provide these services directly. In this regard, IndexIQ makes recommendations to the Board of the applicable Registered Fund regarding Subadvisers to be retained to provide subadvisory services, and the Board approves the subadvisory agreements periodically, as required by the Investment Company Act of 1940, as amended. Subadvisers are recommended by IndexIQ based a number of factors including, an evaluation of their skills and investment results in managing assets for specific asset classes, investment styles and strategies. Currently, IndexIQ engages MacKay Shields LLC (SEC File No. 801-559), an affiliated Subadviser, to subadvise certain ETFs.

IndexIQ or a Subadviser is responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of each of the Registered Funds. IndexIQ is also generally responsible for arranging for third-party administration, transfer, custodial, and all other non-distribution related services for the Registered Funds to operate. IndexIQ does not provide custodial or other administrative services to the Registered Funds. At no time will IndexIQ accept or maintain custody with respect to a Registered Fund’s assets.

For additional information regarding the Registered Funds’ fees, investment objectives, investment strategies and associated risks please refer to Registered Funds’ Prospectuses and Statements of Additional Information, which are available on our website at [www.IndexIQ.com](http://www.IndexIQ.com). This ADV brochure does not constitute an offer to sell, or a solicitation of an offer to buy, shares of the Registered Funds.

#### **Termination of Accounts, Advisory Agreements and Program Agreements**

**Non-Sponsored Managed Accounts:** Account Agreements in non-Sponsored Programs generally may be terminated by either the client or IndexIQ upon a specified period of prior written notice, generally 10 to 90 days. IndexIQ may assign the Account Agreements upon a specified period of written notice.

**Sponsored Programs:** Agreements with sponsors of UMA, Wrap and other similar programs generally may be terminated by the parties upon a specified period of prior written notice, generally 90 days.

Model Portfolios: Agreements between IndexIQ and other advisers relating to IndexIQ's provision of Model Portfolios generally may be terminated upon a specified period of prior written notice set forth in the relevant program agreement, generally ranging from 30 days to 90 days.

Registered Funds: Investment Advisory Agreements with Registered Funds terminate immediately upon assignment or IndexIQ may terminate upon 60 days' prior written notice. Investment Advisory Agreements must be renewed by the applicable Registered Fund's Board on an annual basis after their initial two-year term.

## **ITEM 5: FEES AND COMPENSATION**

### **I. Managed Accounts**

As compensation for IndexIQ's management of client managed accounts (each, an "Account"), clients generally pay IndexIQ a Management Fee (defined below) and/or a fixed fee. IndexIQ's fees generally will be deducted directly from the client's custodial accounts. Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by IndexIQ, as the custodian will not determine whether the fee has been properly calculated.

Generally, fees are negotiated on a case by case basis with the client, and are determined based upon many factors, including the amount of work involved, the assets placed under management and the attention needed to manage the Account. Actual fees may be higher or lower than the range provided below based on individual client negotiations.

Generally, a management fee (the "Management Fee") for managed accounts in non-Sponsored Programs may range between 40 and 70 basis points based on the amount of assets under management, and is generally negotiable for larger accounts. The Management Fee typically will be paid quarterly in advance, as of the last day of each calendar quarter, based on the average assets under management for the quarter, before reduction for the Management Fee as of such date. The Management Fee shall be appropriately pro-rated for any termination of the Account Agreement as of a date other than a calendar quarter-end.

In certain cases, IndexIQ may agree with a client to a fixed fee to be paid on a monthly or quarterly basis. The rate of a fixed fee will depend on, among other things, the size of the Account, whether the client has other assets managed by IndexIQ, and the other terms agreed upon by the client and IndexIQ. The fee typically will be paid monthly or quarterly in advance, as of the last day of each calendar month or quarter, based on the average assets under management for the month or quarter, before reduction for the Management Fee as of such date. The Management Fee shall be appropriately pro-rated for any termination of the Account Agreement as of a date other than a calendar month-end or quarter-end.

Where IndexIQ is responsible for pricing a client's portfolio for fee billing, IndexIQ will generally use pricing information provided by an independent pricing service. Based on our investment style and the types of securities in which we generally invest on behalf of our clients, the independent pricing service is typically able to provide pricing information for securities included within our clients' portfolios. In the event an independent pricing service is unable to obtain a price, IndexIQ will determine a fair value for that security.



## **II. Sponsored Programs**

### Wrap Accounts

The SMA wrap programs described in Item 4 generally provide for an all-inclusive fee that covers advisory fees, trade execution, reports of activity, custodial services, and the recommendation and monitoring of investment managers. For IndexIQ's services as investment manager in the SMA wrap programs, IndexIQ receives a portion of the total managed account program fee paid to the sponsor by the client.

### UMA / Model Portfolios

IndexIQ's compensation for the provision of UMA or Model Portfolios for certain Sponsored Programs typically ranges between 40 and 60 basis points, generally based on a formula that reflects in part the amount of assets in accounts managed using the Model Portfolio. The amount of assets in accounts managed using the Model Portfolio and the value of those assets is determined by the program sponsor. Fees typically are calculated and paid on a quarterly basis, in advance or in arrears, as specified in the relevant program agreement.

### Other Sponsored Programs

IndexIQ also participates in Sponsored Programs pursuant to which it enters into advisory agreements directly with the client of a program sponsor. In these programs, IndexIQ typically is directed to execute all trades with the program sponsor, consistent with its duty to seek best execution. IndexIQ expects that in such programs a substantial percentage, if not all, of the client's transactions will be executed with the program sponsor, as the client generally does not pay commissions separate from the program fee paid to the sponsor.

While IndexIQ's compensation in Sponsored Programs may be lower than IndexIQ's standard managed account fee schedule, the overall cost of a Wrap or other sponsored program arrangement may be higher than the client otherwise would experience by paying IndexIQ's standard fees and negotiating transactions with a broker or dealer that are payable on a per transaction basis.

The management fee for managed accounts in Sponsored Programs may range between 40 and 70 basis points based on the amount of assets invested in the strategy. The amount of assets invested in the strategy and the value of those assets is determined by the program sponsor. Fees typically are paid on a quarterly basis, in advance, valued as of the last business day of each calendar quarter.

## **IV. Registered Investment Companies**

For its services to a Registered Fund, IndexIQ receives an advisory fee generally ranging from 0.25% to 0.95% of average daily net assets, payable in arrears on a monthly basis; however, fee waivers and/or expense limits may be granted that may reduce these fees. The value of a Registered Fund's assets is determined in accordance with valuation procedures adopted by the Board, and generally involves the use of pricing information provided by an independent pricing service. Additional information regarding fees and the valuation of a Registered Fund's assets is set forth in the applicable Registered Fund's prospectus.

## **V. General Fee Information**

Generally, all fees to clients other than Registered Funds are subject to negotiation. Fee arrangements with Registered Fund clients are subject to periodic review and approval by their Boards. To the extent a Subadviser is retained for a client account, the fees of such Subadviser will be paid from the fees of IndexIQ.

In addition to the above fees, each client is generally responsible for all expenses related to its Account, including brokerage commissions, custodial fees, interest on margin borrowing and the fees or expenses of any mutual funds and/or ETFs in which the account invests. Mutual Funds and ETFs also charge internal management fees, which are disclosed in the applicable registration statement. Clients will incur brokerage and other transaction costs. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Please see Item 12 herein with respect to IndexIQ's brokerage practices.

## **VI. Compensation**

Some of our employees are registered as representatives and principals of NYLIFE Distributors LLC., an affiliated broker-dealer. There may be instances where these employees, acting as registered representatives, receive compensation from NYLIFE Distributors LLC for promoting the sale of the IndexIQ Funds. This arrangement presents a potential conflict of interest, because IndexIQ may have a financial incentive to recommend IndexIQ Funds. IndexIQ has implemented policies and procedures that are intended to address this potential conflict.

## **ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

IndexIQ does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## **ITEM 7: TYPES OF CLIENTS**

As discussed in Item 4, "Advisory Business", IndexIQ provides a broad array of investment advisory services to registered investment advisers, broker-dealers, Registered Funds operating as ETFs and mutual funds, UCITS, individuals, trusts, retirement accounts (IRAs, pensions and profit sharing plans), state or municipal government entities, corporations, and other institutions. IndexIQ also offers its services to UMA, Wrap, and other advisory programs of third-party sponsors.

Generally, the minimum dollar value of assets required to set up an investment advisory account with IndexIQ is \$10,000,000; however, IndexIQ has discretion to waive the account minimum. IndexIQ may choose to raise the account minimum based on several factors, including, without limitation, the complexity or capacity of the underlying strategy. The minimums generally may be different in advisory products offered in Sponsored Programs and for collective investment vehicles managed by IndexIQ. Please consult the offering materials for such Sponsored Programs or collective investment vehicles for information about any applicable minimum investment requirements.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

There can be no assurances that a client will achieve its investment objective or that the strategies pursued and methods utilized by IndexIQ will be successful under all or any market conditions.

### **I. Investment Strategies for Registered Funds (ETFs and Mutual Funds)**

#### **Passive ETF Investment Strategies**

IndexIQ's passive ETFs generally seek investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index (the "Underlying Index"). The Underlying Indexes used by ETF clients generally seek to track the performance of specific: (a) alternative investment strategies by tracking, for example, the "beta" portion of hedge fund or mutual fund returns (i.e., that portion of the returns of hedge funds or mutual funds that are non-idiosyncratic, or unrelated to manager skill) of a combination of hedge funds or mutual funds pursuing a particular strategy; (b) sectors of publicly traded issuers in specific countries or regions; (c) sectors or industries of publicly traded issuers either globally or domestically; (d) international equity markets, while hedging approximately 50% of the underlying securities' foreign currency exposure and other discrete strategies as disclosed in an ETF's prospectus and statement of additional information; (e) U.S. dollar-denominated taxable fixed income universe by using a combination of short- and long-term momentum to overweight and underweight various sectors of the investment grade or high yield fixed income securities market; (f) U.S. dollar denominated high yield corporate bonds that have been selected in accordance with a rules-based methodology that seeks to identify securities that, in the aggregate, are expected to have lower volatility relative to the broad U.S. dollar denominated high yield corporate bond market; or (g) small-,mid-,and large-capitalization stocks of U.S. companies selected in accordance with a quantitative multifactor model.

Certain of IndexIQ's passive ETFs may be funds-of-funds, each of which invests, under normal circumstances, at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index, which includes underlying funds. Each Underlying Index consists of many components ("Underlying Index Components") selected in accordance with the rules-based methodology of such Underlying Index. For IndexIQ ETFs that are a fund-of-funds, Underlying Index Components will include primarily ETFs and/or other exchange-traded vehicles issuing equity securities organized in the U.S., such as exchange traded vehicles ("ETVs", and together with ETFs, "Underlying Funds"). Underlying Index Components may also include foreign and domestic equity securities, and U.S. Dollar denominated fixed income securities traded in the U.S. or foreign markets. Each IndexIQ ETF may also invest in one or more financial instruments, including but not limited to futures and forward contracts and swap agreements (collectively, "Financial Instruments").

Each passive ETF may employ a "passive management" — or indexing — investment approach designed to track the performance of the Underlying Index. Certain Registered Funds track the performance of IndexIQ Indexes, which have been developed IndexIQ LLC, the parent company of IndexIQ. With regard to Registered Fund clients that track an IndexIQ Index, IndexIQ pays IndexIQ LLC a licensing fee on a per product basis of 0.15% of assets under management. Similar licensing fees may apply for managed account clients and IndexIQ offerings through Sponsored

Programs that track IndexIQ Indices. Certain Registered Funds track the performance of Underlying Indices developed by independent third-party index firms. IndexIQ pays a licensing fee to such third-party firms to license the use of an Underlying Index developed and maintained by the firm.

#### Actively Managed ETF Investment Strategies

IndexIQ through its affiliated Subadviser, MacKay, provides actively managed ETFs (“Active ETFs”), which generally seek investment results that do not seek to replicate the performance of a specific index. Instead, these Active ETFs use an active management strategy to meet their investment objectives. Consequently, investors should not expect these fund returns to track the returns of any market.

The Active ETFs have long positions in debt securities. The Active ETFs invest primarily in debt securities whose interest is, in the opinion of bond counsel for the issuer at the time of issuance, exempt from federal income tax (“Municipal Bonds”) and that are rated investment grade by at least one independent rating agency (i.e., within the highest four quality ratings by Moody’s Investors Service, Inc., Standard & Poor’s Ratings Services or Fitch Ratings, Inc.). If independent rating agencies assign different ratings to the same security, the Active ETF will use the higher rating for purposes of determining the security’s credit quality.

#### Mutual Fund Investment Strategy

IndexIQ’s mutual fund client seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Hedge Multi-Strategy Plus Index (the “Index”). The Index seeks to track the performance of specific alternative investment strategies by tracking the “beta” portion of hedge fund returns (i.e., that portion of the returns of hedge funds that are non-idiosyncratic, or unrelated to manager skill) of a combination of hedge funds pursuing particular strategies. The mutual fund employs a “passive management” — or indexing — investment approach designed to track the performance of its Underlying Index, which was developed by IndexIQ LLC. The Underlying Index consists of a number of Underlying Index Components selected in accordance with the Underlying Index’ rules-based methodology. Such Underlying Index Components include long and short positions primarily in ETFs, but may also include Exchange Traded Vehicles. (“ETVs”).

The mutual fund client is a fund-of-funds which means it invests, under normal circumstances, a significant portion of its assets in Underlying Funds. The mutual fund client will take both long and short positions in the Underlying Funds in which it invests. The mutual fund also invests in Financial Instruments. The mutual fund client uses total return swaps as a principal investment strategy to increase the overall exposure of the mutual fund client to replicate the leveraged exposures of its Underlying Index and may also use total return swaps to effect certain short positions reflected in its Underlying Index. The exposure of the mutual fund client will vary but in any event, will be no more than 200% of net assets as of each monthly rebalance date.

## **II. Investment Strategies for Managed Accounts, Sponsored Programs and Model Portfolios**

For managed account and Sponsored Program clients and the creation and maintenance of Model Portfolios, IndexIQ seeks to track the investment results that correspond (before fees and expenses)

generally to the price and yield performance of an underlying index that seeks to track the performance of specific alternative investment strategies by tracking the “beta” portion of hedge fund returns (i.e., that portion of the returns of hedge funds that are non-idiosyncratic, or unrelated to manager skill) of a combination of hedge funds pursuing particular strategies.

These accounts and portfolios invest a significant portion of their assets in Underlying Funds. For these accounts and portfolios, IndexIQ employs a “passive management” — or indexing — investment approach designed to track the performance of the Underlying Index, which was developed by IndexIQ LLC. The Underlying Index consists of many Underlying Index Components selected in accordance with the Underlying Index’s rules-based methodology. Such Underlying Index Components include positions primarily in ETFs, but may also include ETVs. Underlying Index Components may include ETFs and ETVs that seek to provide inverse exposure to market indices.

### **III. Investment Strategies for UCIT Strategy**

With respect to IndexIQ’s UCITs client, IndexIQ employs a “passive management” — or indexing — investment approach designed to track the performance of the Underlying Index, which was developed by IndexIQ LLC. The Underlying Index seeks to employ a systematic investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across commodity asset classes, represented by companies that operate in commodity-specific market segments and whose equity securities trade in developed markets, including the U.S. These segments include Livestock; Precious Metals; Grains, Food and Fiber; Energy; Metals; Timber; Coal; and Water.

### **IV. Risk Factors**

Investing in securities involves risk of loss that clients should be prepared to bear. A brief explanation of the material risks associated with IndexIQ’s principal investment strategies and methods of analysis follows.

#### **Investment Strategy Risk Factors**

##### ***Equity Securities & Fixed Income***

Equity securities investments will include positions in common stocks, including preferred stocks and convertible securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, and general economic environments.

Fixed-income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security’s value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed-income securities held long can be expected to increase when prevailing interest rates fall and decline when interest rates rise, while the values of fixed-income securities sold short can be expected to decline when prevailing interest

rates fall and increase when interest rates rise. Due to the resetting of interest rates, adjustable-rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

#### *Long/Short Risk*

There is no guarantee that the returns on an account's long or short, if any, positions will produce positive returns, and an account could lose money if either or both positions produce negative returns.

#### *Short Sales*

IndexIQ may make short sales for client accounts, in which the client account sells a security that it does not own. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.

#### *Underlying Funds Risk*

An investment in Underlying Funds is subject to the risks associated with such Underlying Funds. A client will also indirectly bear the fees and expenses of the Underlying Funds.

#### *Exchange Traded Vehicle Risk*

The value of an investment in ETFs and ETVs is based on stock market prices and an ETF or ETV could lose money due to stock market developments, the failure of an active trading market to develop or exchange trading halts or de-listings.

#### *Index Risk*

The performance of the Underlying Index and the account may deviate from that of the markets the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the periodic rebalancing process can track. Securities in the Underlying Index or in an account's portfolio may also underperform in comparison to the general securities markets.

#### *Tracking Error Risk*

Although an account may attempt to track the performance of an Underlying Index, the account may not be able to duplicate its exact composition or return for any number of reasons.

#### *Market Risk*

The market price of investments owned by an account may go up or down, sometimes rapidly or unpredictably.



### *Foreign Securities Risk*

An account may invest in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

### Principal Risks of ETFs and Mutual Funds

Investors in Registered Funds should be willing to accept a high degree of volatility in the price of a Registered Fund's shares and the possibility of significant losses. As with all investments, an investor may lose money in a Registered Fund. An investment in a Registered Fund involves a substantial degree of risk and a Registered Fund does not represent a complete investment program. As with all investments, an investor may lose money in a Registered Fund. Therefore, an investor should consider carefully the following risks before investing in a Registered Fund. Additional risk factors for the Registered Funds are set forth in the prospectus of each Registered Fund.

### *Fund of Funds Risk*

The investment performance of a Registered Fund that operates as a fund of funds depends on the investment performance of the Underlying Funds in which the Registered Fund invests.

### *Trading Price Risk*

Although it is expected that generally the market price of the shares will approximate an ETF's net asset value ("NAV"), there may be times when the market price in the secondary market and the NAV vary significantly.

### *Foreign Securities Valuation Risk*

To the extent a Registered Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on a non-U.S. market (i.e., the value of the Underlying Index is not based on fair value prices), the valuation of the Registered Fund's NAV may deviate from the calculation of the Underlying Index.

### *Currency Hedging Risk*

Certain Registered Funds use various strategies to attempt to reduce the impact of changes in the value of a foreign currency against the U.S. dollar. These strategies may not be successful. Currency exchange rates can be very volatile and can change quickly and unpredictably. Therefore, the value of an investment in a Registered Fund may also go up or down quickly and unpredictably and investors may lose money.

### *Geographic Risk*

A natural or other disaster could occur in a geographic region in which a Registered Fund invests, which could affect the economy or particular business operations of companies in the specific geographic region, causing an adverse impact on the Fund's investments in the affected region.

### *Geopolitical Risk*

Some countries and regions in which a Registered Fund invests have experienced security concerns, war or threats of war and aggression, terrorism, economic uncertainty, natural and environmental disasters and/or systemic market dislocations that have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on the U.S. and world economies and markets generally, each of which may negatively impact the Registered Fund's investments.

### *Custody Risk*

Registered Funds may invest in securities markets that are less developed than those in the U.S., which may expose a Registered Fund to risks in the process of clearing and settling trades and the holding of securities by local banks, agents and depositories. The less developed a country's securities market is, the greater the likelihood of custody problems.

### *Volatility Risk*

Although an Underlying Index may seek lower volatility than the equity or fixed income markets in which a Registered Fund invests, there is no guarantee that this strategy will be successful. The Underlying Index may not be successful in reducing volatility, and there is a risk that the Registered Fund may experience greater volatility than the markets in which the Registered Fund invests. Securities in the Registered Fund's portfolio may be subject to price volatility and the prices may not be less volatile than the market, and could be more volatile.

Significant short-term price movements could adversely impact the performance of the Registered Fund. Market conditions in which significant price and volatility trends develop, but then repeatedly reverse, could cause substantial losses due to prices moving against the Registered Fund's long or short positions, which are determined based on projected market trends.

### *Active Management Risk*

With respect to a Registered Fund that employs active management strategies to meet its investment objective, investors should not expect returns to track the returns of any index over any period as the variability of returns is inherent to active management.

### *Cash Transactions Risk*

Some of the Registered Funds may affect all creations and redemptions entirely for cash, rather than in-kind securities, thereby potentially subjecting shareholders to tax on gains they would not otherwise be subject to, or at an earlier date than, if they had made an investment in a different fund.

### *Leverage Risk*

A Registered Fund's use of swap agreements allows it to obtain investment exposures greater than it could otherwise obtain and specifically to effectively increase, or leverage, its total long investment exposures to more than its net asset value by a significant amount. The use of such



leverage could result in the total loss of an investor's investment more quickly than would be the case in an un-leveraged fund.

#### *Derivatives Risk*

Derivatives, including swap agreements and futures contracts, may involve risks different from, or greater than, those associated with more traditional investments. As a result of investing in derivatives, a Registered Fund could lose more than the amount it invests. Derivatives may be highly illiquid, and a Registered Fund may not be able to close out or sell a derivative position at a particular time or at an anticipated price. Derivatives also may be subject to interest rate risk, currency risk and counterparty risk, which includes the risk that a loss may be sustained by a Registered Fund as a result of the insolvency or bankruptcy of, or other non-compliance by, the other party to the transaction.

#### *Investment Style Risk*

Different investment styles (e.g., "growth", "value" or "quantitative") tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. The Registered Funds may employ various non-traditional and alternative investment styles, and may outperform or underperform other funds that invest in similar asset classes but employ different investment styles.

#### *Liquidity Risk*

The Registered Funds may make investments that may be illiquid or that may become less liquid in response to market developments or adverse investor perceptions. Illiquid investments may be more difficult to value and more difficult to sell in response to redemption requests.

#### *Market Capitalization Risk (Small-, Mid- and Large-Cap Stocks Risk)*

To the extent the Registered Funds emphasize small-, mid-, or large-cap stocks, they take on the associated risks. At any given time, any of these market capitalizations may be out of favor with investors.

#### *Non-Diversification Risk*

The Registered Funds may be non-diversified and may be susceptible to greater losses if a single portfolio investment declines than would a diversified mutual fund.

#### Other Business Related Risks

##### *Technology and Cyber Security*

IndexIQ is dependent on information technology, telecommunication and other operational systems, including both proprietary or internal systems and systems used or provided by third-party service providers (such as custodians, administrators, financial intermediaries, transfer agents and other parties to which we or they outsource the provision of services or business operations). These systems may become disabled or fail to operate properly as a result of events or circumstances wholly or partly beyond our or their control. Further, despite implementation of a variety of risk management and security measures, our information technology and other

systems, and those of service providers, could be subject to unauthorized access or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. In addition, IndexIQ or its third-party service providers may process, store or transmit electronic information, including information relating to the transactions and personally identifiable information. IndexIQ has procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Moreover, the third-party service providers of IndexIQ are subject to the same electronic information security threats as IndexIQ. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the clients and personally identifiable information may be lost or improperly accessed, used or disclosed.

Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers, could have a material adverse effect on our business and could result in, among other things, financial loss, reputational damage, regulatory penalties or the inability to transact business.

The risks above are not a complete list of all risks involved in investing in a Registered Fund and should not be relied upon as such. Additional risk information can be found in each Registered Fund's registration statement.

## **ITEM 9: DISCIPLINARY INFORMATION**

IndexIQ does not have any disciplinary or legal events to report.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

IndexIQ does not engage in any other business activity other than providing investment advice. However, certain employees of IndexIQ LLC, an affiliate of IndexIQ, which engages in the business of developing indices and other financial products that are utilized by IndexIQ in providing investment services to clients, as well as by select other third-party index licensees are dual-hatted with IndexIQ. See Item 4 for more information.

Additionally, the following relationships or arrangements with related persons are material to our business and may create potential conflicts of interest:

### **Broker-Dealer**

Some of our employees are registered with the Financial Industry Regulatory Association (FINRA) as representatives and principals of NYLIFE Distributors. NYLIFE Distributors is an affiliate and is registered as a broker-dealer with the SEC. NYLIFE Distributors serves as the principal underwriter and distributor of IndexIQ Trust and has entered into a services agreement with ALPS Distributors, Inc., the distributor of IndexIQ ETF Trust, and IndexIQ Active ETF Trust to distribute shares of IndexIQ ETF Trust and IndexIQ Active ETF Trust. By virtue of their FINRA registrations, certain of our employees may promote the sale of the IndexIQ Funds to

registered representatives of other broker-dealers who may recommend that their clients purchase these products.

NYLIFE Distributors may compensate registered employees who promote the sale of the IndexIQ Funds for their efforts, and IndexIQ may make payments to NYLIFE Distributors to help fund such compensation. This arrangement presents a potential conflict of interest, because IndexIQ may have a financial incentive to recommend IndexIQ Funds rather than making a different recommendation for which there is no prospect of such compensation. We do not use New York Life affiliated broker-dealers to execute securities transactions for our clients.

### **Investment Advisers**

NYLIM is an affiliate and provides certain services to support IndexIQ's management of Sponsored Programs. NYLIM has also designated certain officers to serve on IndexIQ's Board of Managers. In addition, certain employees of NYLIM, an affiliate of IndexIQ, may also be dual-hatted with IndexIQ. IndexIQ also receives certain accounting, finance, operations, compliance, legal and other support services from NYLIM and New York Life.

IndexIQ is affiliated with, and has material relationships with, the following SEC registered investment advisers:

- Candriam Belgium SA (SEC File No. 801-80508) acts as a subadviser for certain mutual funds for which NYLIM serves as adviser.  
  
Candriam France SAS (SEC File No. 801-80509) acts as a subadviser for certain mutual funds for which NYLIM serves as adviser.
- Credit Value Partners LLC (SEC File No. 801-71761), manages portfolios with opportunistic and distressed debt and high yield corporate credit investments. Clients of New York Life Investments may be solicited to invest in such limited partnerships or in others for which Credit Value Partners serves in a similar capacity.
- GoldPoint Partners LLC (SEC File No. 801-61010), serves as the investment manager of various limited partnerships and engages in other advisory services. Clients of IndexIQ may be solicited to invest in such limited partnerships or in others for which GoldPoint Partners serves in a similar capacity.
- MacKay Shields LLC (SEC File No. 801-5594), acts as a subadviser for certain ETFs for which IndexIQ serves as adviser and mutual funds for which NYLIM serves as adviser. MacKay Shields also serves as the investment manager of various limited partnerships and engages in other advisory services. Clients of IndexIQ may be solicited to invest in such limited partnerships or in others for which MacKay Shields serves in a similar capacity.

- Madison Capital Funding LLC (SEC File No. 801-73076), manages portfolios of commercial loans and related debt and equity investments in which clients IndexIQ may invest.
- NYL Investors LLC (SEC File No. 801-57396): acts as a subadviser for certain mutual funds and institutional accounts for which NYLIM serves as adviser.
- Private Advisors, LLC (SEC File No. 801-55696), serves as the investment manager of various limited partnerships and engages in other advisory services. Clients of IndexIQ may be solicited to invest in such limited partnerships or in others for which Private Advisors serves in a similar capacity.

IndexIQ LLC has engaged and Candriam Belgium S.A. (“Candriam”) and MacKay as index consultants to assist IndexIQ LLC with the development, calculation and maintenance of certain IndexIQ Indexes. MacKay and Candriam are wholly owned by New York Life and are affiliates of IndexIQ. As index consultants, MacKay and Candriam assist IndexIQ LLC with the identification, formulation and construction of potential IndexIQ Indices, the testing of potential IndexIQ Indices, documentation of index methodologies, and ongoing calculation and maintenance of certain IndexIQ Indices.

### **Banking Institution**

New York Life Trust Company is an affiliate and is a New York State chartered trust company.

### **Insurance Company**

IndexIQ is an indirect wholly-owned subsidiary of New York Life. New York Life is a mutual insurance company that is an admitted insurer in all 50 states and in the District of Columbia. IndexIQ may manage a portion of the New York Life general account from time to time. As a result, the potential exists for conflicts to arise as to the allocation of investment opportunities between New York Life and IndexIQ’s other clients.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT**

### **Code of Ethics and Personal Trading**

IndexIQ has a fiduciary relationship with our clients that requires that we and our employees place the interests of our clients first and foremost. As such, our Code of Ethics (the “Code”) covers all employees and sets forth guidelines that promote ethical conduct generally. In addition to the Code’s policies regarding personal securities trading, the Code requires our employees to follow policies and procedures relating to the conduct standards of our Code including: conflicts of interest, inside information and information barriers, gifts and entertainment, personal political contributions, and selective disclosure of mutual fund portfolio holdings. A copy of our Code is available upon request. Our contact information appears on the cover page of this brochure.

While we permit our employees to engage in personal securities transactions, as a company we recognize that these transactions may raise potential conflicts of interests. This is particularly true when they involve securities owned by, or considered for purchase or sale for, a client account.

We address potential conflicts of interests in our Code by requiring that, with regard to investments and investment opportunities, our employees' first obligation is to our clients. Our Code requires that all employees adhere to the highest duty of trust and fair dealing. All employees: (i) must conduct their personal securities transactions in a manner that does not interfere with any client's portfolio transactions, or take inappropriate advantage of an employee's relationship with a client, (ii) may not trade while in possession of material, non-public information, (iii) may not engage in short-term trading (the purchase and sale or sale and purchase within 30 days) of any MainStay mutual fund advised by NYLIM, and (iv) must certify annually to compliance with the Code and related policies.

Some provisions of our Code, particularly with respect to personal trading, apply only to Access Persons and Investment Personnel. Access Persons are defined as officers or directors of IndexIQ, or employees who have access to non-public information regarding any clients purchase or sale of securities, or who have non-public information regarding the portfolio holdings of any account that we advise. While certain exceptions may apply, generally Access Persons:

- Subject to certain exceptions, may not purchase or sell "Covered Securities" without pre-clearance through our Compliance Department. Covered Securities exclude: i) transactions involving direct obligations of the US Government; ii) shares of unaffiliated open-end investment companies; iii) commercial paper; iv) certificates of deposit; and v) high quality short term investments and interests in qualified state college tuition programs.
- May not profit from the purchase and sale or sale and purchase of the same Covered Security within 60 days.
- May not purchase or sell a Covered Security on a day when there is a buy or sell order for a client.
- May not purchase securities in initial public offerings or in connection with private placements except with the express written prior approval our Chief Compliance Officer.
- May not participate in investment clubs.
- Must file quarterly reports and certifications of covered trading activity.
- IndexIQ also seeks to avoid conflicts of interest by placing additional limitations on the personal trading activity of certain employees, which include blackout periods and preclearance approval requirements.

Investment Personnel must adhere to the following additional restrictions. Investment Personnel are defined as employees who in connection with their regular functions participate in making recommendations regarding the purchase or sale of securities for client accounts (i.e., portfolio

managers, traders and analysts):

- May not purchase or sell securities (subject to a de minimis threshold) for their own account if such securities have been purchased or sold for a client account in the prior seven days, or can reasonably be expected to be purchased or sold for a client account in the next seven days.
- May not trade in options with respect to individual securities.

### **Participation or Interest in Client Transactions**

IndexIQ, consistent with clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to clients or prospective clients, the purchase or sale of securities in which IndexIQ, other New York Life affiliates, other IndexIQ advisory accounts, or separately managed accounts in which IndexIQ or its affiliates or their respective officers and employees have a direct or indirect ownership interest. For example, IndexIQ may suggest that a managed account client invest in a Registered Fund for which IndexIQ serves as investment adviser.

IndexIQ may also invest, on behalf of its advisory clients, in the same or different securities or instruments of issuers in which these same entities have a financial interest as a holder of the securities or instruments of the issuers.

IndexIQ has a conflict of interest in connection with these transactions since investments by its advisory clients may benefit IndexIQ and its affiliates, officers and employees by potentially increasing the value of the investments held in the issuer. In addition, if the value of such assets increases, the asset based fees charged by IndexIQ will also increase.

IndexIQ seeks to ensure that any investment it makes on behalf of an advisory client is consistent with applicable law, IndexIQ's fiduciary obligations to act in the best interests of the client, and such client's investment objectives.

IndexIQ does not engage in principal transactions with client accounts and if it did so, it would secure applicable client consent.

### **ITEM 12: BROKERAGE PRACTICES**

IndexIQ's policy is to obtain the best execution of client transactions over the long term, considering the full range and quality of services offered by executing brokers.

IndexIQ recommends and effects transactions through various brokerage firms (collectively, "Brokers"), which are considered reputable and financially secure to execute its trades, and which it believes can offer best execution, on an overall or transaction basis. In selecting Brokers to execute transactions, while trade price is often a significant quantitative factor, a number of factors are considered including, among others, financial strength, stability and responsibility, reputation, quality and depth of services (including back office and processing capabilities), nature and frequency of sales coverage, price, reliability, ability to execute trades, commission rate, research



capabilities, and brokerage products and services provided and responsiveness to IndexIQ. The determinative factor is not the lowest possible commission cost alone.

The commissions and/or fees charged by Brokers are exclusive of, and in addition to, IndexIQ's fees. In selecting Brokers to execute transactions, IndexIQ need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost to be charged by the Brokers it selects.

As permitted under applicable law, IndexIQ may cause client accounts to pay a Broker a commission for effecting a securities transaction that is in excess of the commission which another Broker would have charged for effecting the transaction, if IndexIQ makes a good faith determination that the Broker's commission paid by clients is reasonable in relation to the value of the brokerage and research products and services provided by the Broker, viewed in terms of either the particular transaction or the firm's overall responsibilities to the clients and the accounts.

Research products and services may include, but are not limited to, general economic, political, business and market information and reviews, industry and company information and reviews, evaluations of securities and recommendations as to the purchase and sale of securities, financial data on a company or companies, performance and risk measuring services and analysis, stock price quotation services, computerized historical financial databases and related software, credit rating services, analysis of corporate responsibility issues, brokerage analysts' earnings estimates, computerized links to current market data, software dedicated to research, and portfolio modeling. Research products and services may be provided in the form of reports, computer-generated data feeds and other services, telephone contacts, and personal meetings with securities analysts, as well as in the form of meetings arranged with corporate officers and industry spokespersons, economists, academics and governmental representatives. Brokerage products and services assist in the execution, clearance and settlement of securities transactions, as well as functions incidental thereto, including but not limited to related communication and connectivity services and equipment, software related to order routing, market access, algorithmic trading, and other trading activities. On occasion, a Broker may furnish IndexIQ with a service that has a mixed use (that is, the service is used both for brokerage and research activities that are within the safe harbor and for other activities). In this case, IndexIQ is required to reasonably allocate the cost of the service, so that any portion of the service that does not qualify for the safe harbor is paid for by IndexIQ from its own funds, and not by portfolio commissions paid by clients.

IndexIQ does not consider client referrals when selecting or recommending Brokers, and typically does not engage in directed brokerage arrangements. IndexIQ does not participate in any directed brokerage programs unless directed to do so by a client. In the event that IndexIQ would participate in a direct brokerage arrangement, such direction must be in writing from the client and approved by IndexIQ. Each directed brokerage arrangement will be evaluated to determine whether IndexIQ has any discretion in the investment or order entry process that may still require a best execution analysis. Any client requesting a directed brokerage arrangement will be informed that, among other information, the conflicts of interest involved and the fact that the client may give up benefits of better pricing or lower commissions that might otherwise be available through participation in bunched orders.

With respect to accounts managed by a Subadviser, the Subadviser is responsible for decisions to buy and sell securities and other for broker-dealer selection and for negotiation of brokerage commission rates. The Subadviser's primary consideration in effecting a security transaction will be to obtain best execution, taking into account certain factors that may include: price (including the applicable brokerage commission or dollar spread); the size of the order; the nature of the market for the security; the timing of the transaction; the reputation, experience and financial stability of the broker-dealer involved; the quality of the service; the difficulty of execution, and the execution capabilities and operational facilities of the firm involved; and the firm's risk in positioning a block of securities. Accordingly, the price to a client in any transaction may be less favorable than that available from another broker-dealer if the difference is reasonably justified, in the judgment of the Subadviser in the exercise of its fiduciary obligations, by other aspects of the portfolio execution services offered.

On occasions when the Subadviser deems the purchase or sale of a security to be in the best interest of a client as well as of other investment advisory clients of the Subadviser or any of its affiliates, the Subadviser may, to the extent permitted by applicable laws and regulations, but shall not be obligated to, aggregate the securities to be so sold or purchased with those of its other clients where such aggregation is not otherwise inconsistent with client instructions. 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 Subadviser in a manner that, over time, is fair and equitable in the judgment of the Subadviser in the exercise of its fiduciary obligations to such other clients, subject to review by IndexIQ, and in the case of Registered Fund, the Board.

The services furnished by a Broker may benefit IndexIQ in rendering investment management services to all clients. Certain of the services and information received by IndexIQ attributable to a transaction executed on behalf of one client may benefit other accounts or clients over which investment discretion is or may, in the future, be exercised by IndexIQ or its affiliates. IndexIQ has no obligation to deal with any Broker or group of Brokers in executing transactions in portfolio securities on behalf of clients.

Investment decisions are made consistent with the investment objectives, guidelines and restrictions of clients and trades are allocated fairly and equitably among accounts participating in each transaction, taking into consideration the objectives, restrictions, investment strategy, asset allocation and benchmarks of each client.

IndexIQ's policy is to ensure that no individual client account or account type (e.g., Registered Fund, Model Portfolio or managed account) is benefited or harmed by trade allocations and transactions across client accounts and account types.

It is IndexIQ's goal to provide individualized treatment to each client, and is required to provide for such individualized treatment. Thus, given the differing investment objectives, asset allocations, investment parameters, benchmarks and other characteristics of various clients, each client will not necessarily participate in each transaction in a security or instrument that might be considered within the range of permissible investments for that client.

To facilitate trading for a client, IndexIQ may aggregate or "bunch" trades when more than one client participating in a trade. IndexIQ will allocate trades in a manner that ensures, based on the



needs and financial objectives of its clients (including any restrictions or limitations applicable to particular clients), that it distributes investment opportunities among clients in a manner that is fair and equitable, taking into consideration the following factors, among others: trade targets with respect to each account or index weights; investment objectives and restrictions; risk-management requirements; adherence to any limits as defined in the client's investment guidelines; amount of assets in each client; capital availability in each client for trades of the type under consideration; liquidity/availability of securities (typically there is sufficient liquidity and depth in the market); and eligibility to participate in the transaction, as determined above.

If an aggregated order for equity securities is only partially filled on the date of placement, that portion of the order that has been filled will be allocated to all participating accounts in the same manner that the entire order would have been allocated.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **Monitoring**

IndexIQ continuously monitors all managed accounts in an effort to ensure that client objectives are being achieved. The portfolio managers of an account have primary responsibility for reviewing each account managed, including reviewing the appropriateness of portfolio holdings and transactions in light of each account's investment objectives, guidelines and restrictions.

To supervise performance of IndexIQ's accounts, IndexIQ's Portfolio Oversight Committee ("POC"), meets quarterly and reviews, among other things, the implementation of portfolios, broker execution, compliance, costs of strategy implementation, portfolio-index tracking error where the portfolio is managed to replicate the returns of an index-based IndexIQ Product, and other aspects of portfolio management.

#### **Trade Errors**

IndexIQ has a policy in place pertaining to the correction of trade errors. In the event that an error occurs, it is identified and corrected as soon as practicable. Generally, client accounts are made whole for any losses.

With respect to trade errors that occur in a Sponsored Program, such errors are typically corrected in accordance with each sponsor's trade error policy. This may include the use of a trade error account that is maintained at the sponsor.

#### **Compliance Oversight**

NYLIM's Investments Compliance Department is an extension of the New York Life Corporate Compliance Department. The Chief Compliance Officer of IndexIQ is responsible for the oversight and maintenance of the compliance function. Certain compliance and other support functions within IndexIQ are supported by the infrastructure of NYLIM and the Corporate Compliance Department of New York Life.

IndexIQ is an investment adviser registered with the SEC under Section 203 of the Investment Advisers Act of 1940 (the "Advisers Act"). As such, pursuant to Rule 206(4)-7 under the Advisers

Act it is unlawful for us to provide investment advice to clients unless we: (i) have written policies and procedures in place that are reasonably designed to detect and prevent violations of the Advisers Act, (ii) review no less frequently than annually, the adequacy of our policies and procedures and the effectiveness of their implementation; and (iii) designate a Chief Compliance Officer responsible for administering the policies and procedures under the Rule. Also pursuant to the Rule, we have put in place a program tailored to our business that includes written policies and procedures that we believe are reasonably designed to detect and prevent violations of the Advisers Act and other governing laws and regulations. Such policies and procedures include, but not limited to, those relating to supervisory activity, portfolio management, trading practices, code of ethics, personal trading, information barrier, books and records, sales and marketing, pricing, proxy voting, anti-money laundering, privacy and business continuity (the “Compliance Program”).

Although we acknowledge that compliance is the responsibility of all employees, the Compliance Department is primarily responsible for overseeing the implementation of the Compliance Program. As such, Compliance maintains an assessment calendar which provides for a portion of the Firm’s policies and procedures to be assessed each quarter. Testing criteria includes ongoing evaluations and tests of the effectiveness of the Firm’s Compliance Program including ensuring each policy and procedure properly reflects current implementation practices and applicable rules and regulations. Procedures are revised as needed throughout the year, or as we deemed necessary or appropriate, to enhance implementation practices or to reflect rule changes. The results of these reviews, including procedural revisions that are made, are reported to the IndexIQ Compliance Committee on a semi-annual basis.

### **Client Reporting**

The content and frequency of client reports varies by client. IndexIQ typically discusses a client’s reporting requirements as part of the contract negotiations. Quarterly performance reports are generally provided by IndexIQ to separately managed account clients, unless otherwise agreed. In addition, separately managed account clients will receive at least quarterly account statements from their custodian.

The Board receive quarterly performance reports as well as other account information. Generally, reports include rolling performance data, index comparisons and general fund information.

Performance reports relating to IndexIQ offerings through Sponsored Programs are provided by the respective sponsor. Clients are urged to carefully review all statements and contact IndexIQ if you have any questions.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

IndexIQ does not have any client referral arrangements in place currently. However, from time to time IndexIQ may enter into solicitation agreements with certain of our other affiliated investment advisers to refer clients to each other. In this case IndexIQ may pay or receive a cash fee for such referrals. If IndexIQ pay or receive a cash fee for client referrals, IndexIQ will comply with the requirements of the SEC’s cash solicitation rules to the extent that they apply.

## **ITEM 15: CUSTODY**

IndexIQ does not have direct or indirect custody of any client funds or securities. All client accounts are maintained at qualified custodians, such as banks or broker-dealers that are chosen by the client. Clients receive account statements directly from their custodians.

## **ITEM 16: INVESTMENT DISCRETION**

With respect to its discretionary accounts, IndexIQ has full discretionary authority to manage the investment and re-investment of the cash, securities, investments and other property in each account and all earnings on the assets in the account not otherwise withdrawn by the client, with power on behalf of and in the name of the client all without prior consultation with the client. IndexIQ has absolute discretion over each account's trading strategy, including the allocation of the account's assets between different types or classes of investments in which IndexIQ may invest from time to time and the securities and other instruments which may be purchased or sold. IndexIQ will share this discretionary authority with any Subadviser that IndexIQ hires to assist in client portfolio management.

When a Subadviser is selected by IndexIQ, unless otherwise directed in writing by the client, the Subadviser has absolute discretion with respect to the investment of a client's assets.

Limitations on IndexIQ's and any Subadviser's authority (and generally the authority of a manager or adviser) are guided by (1) its responsibility to act as a fiduciary when handling clients' accounts, (2) the registration statement of a Registered Fund and (3) the obligation (subject to the conditions specified herein) to seek best execution for client trades.

IndexIQ abides by the investment guidelines and restrictions set forth in each client's investment advisory agreement or prospectus, as applicable. IndexIQ is not obligated to acquire for any account any security that IndexIQ's officers, partners, members or employees may acquire for their own accounts or for the account of any other client, if in IndexIQ's absolute discretion it is not practical or desirable to acquire a position in such security.

## **ITEM 17: VOTING CLIENT SECURITIES**

IndexIQ has retained a third-party proxy services vendor (the "Proxy Vendor") with respect to voting proxies on behalf of its clients. Generally, IndexIQ is not responsible for voting, and does not vote proxies for clients in Sponsored Programs for which IndexIQ provides a Model Portfolio, nor does IndexIQ receive proxy solicitations for such clients; however, in circumstances when Sponsored Program clients authorize IndexIQ to vote proxies for such Sponsored Program client accounts, IndexIQ will use the Proxy Vendor for voting proxies.

IndexIQ generally instructs the Proxy Vendor to vote proxies in accordance with Proxy Vendor's primary proxy voting guidelines (the "Primary Voting Guidelines") in an objective and consistent manner across client accounts, based on research and recommendations provided by a third party vendor, and without consideration of any client relationship factors. However, if requested by a client and acceptable to by IndexIQ, IndexIQ may instruct the Proxy Vendor to vote proxies of a

specified client in accordance with one of the Proxy Vendor's specialty proxy voting guidelines (the "Specialty Voting Guidelines").

IndexIQ exercises its proxy voting rights with the goal of maximizing the value of the client's investments. All proxy voting proposals are reviewed, categorized, analyzed and voted in accordance with either the Primary or Specialty Voting Guidelines. These guidelines are reviewed periodically and updated as necessary to reflect new issues and any changes in policies on specific issues. Items that can be categorized under either the Primary or Specialty Voting Guidelines will be voted in accordance with any applicable guidelines. Proposals that cannot be categorized under either the Primary or Specialty Voting Guidelines will be referred to the POC for discussion and vote. Additionally, the POC may review any proposal where it has identified a company, industry or issue for special scrutiny. With regard to voting proxies of foreign companies, IndexIQ 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.

IndexIQ ensures that (1) the client's custodian is instructed to send the client's proxy ballots to the Proxy Vendor for voting, and (2) the Proxy Vendor is notified that it should begin receiving proxy ballots and (3) the Proxy Vendor is instructed on the proxy voting guidelines to be used for the client. IndexIQ will review on a quarterly basis (a) a votes summary report, which includes a list of meetings and proposals that were voted and how the votes were cast, and (b) an exceptions report showing any votes cast contrary to IndexIQ's stated voting policy, which is to vote consistent with the Proxy Vendor's recommendations. The Proxy Vendor maintains proxy voting records on behalf of IndexIQ and provides the data necessary for IndexIQ to make timely N-PX filings with respect to Registered Fund clients. IndexIQ's proxy voting policy and procedures are available upon request. A client may obtain IndexIQ's proxy voting policy and procedures or a record of IndexIQ's proxy voting for such client by contacting IndexIQ's Chief Compliance Officer at (201) 685-6187.

## **ITEM 18: FINANCIAL INFORMATION**

At this time, IndexIQ is not required to file a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. IndexIQ has no financial condition that impairs its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy proceeding.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

IndexIQ is registered with the SEC and provides notice filings to certain states. We are not registered with any state securities authorities.