



IQ® Australia Small Cap ETF

Fund description

The IQ Australia Small Cap ETF seeks to track, before fees and expenses, the performance of the IQ Australia Small Cap Index.

The Index is float-adjusted market cap-weighted and seeks to provide investors with a means of tracking the overall performance of small cap Australian companies.

Features and benefits

- Provides access to natural resources-rich (e.g., coal, metals) Australian market
- Complement to large cap Australian exposure
- Allows investors to isolate country exposure - all components are listed on the Australian Stock Exchange (ASX)
- Tax efficient - Fund seeks to minimize capital gains distributions
- Low fees[±]
- Intra-day liquidity
- Transparency – holdings available daily
- Rules-based approach¹

Risk considerations

- Tracking error to the Index
- Price may differ from NAV
- Other risks similar to stocks
- Risks specific to Australian market
- Small cap exposure
- Foreign securities and currency risks

See risk discussion on reverse side.

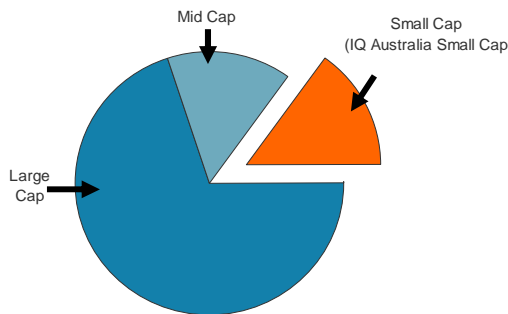
Fund data

Fund Ticker	KROO
Intraday NAV (IIV)	KROO.IV
Expense Ratio²	0.69%
Exchange	NYSE Arca

Index data

Index Symbol	IQSMAUS
# Holdings	100
Wtd Avg Mkt Cap (\$ MM)	1,292
Price/Earnings Ratio³	17.15
Price/Book Value Ratio⁴	2.06

Completeness of market cap spectrum



For illustrative purposes only, the pie chart above does not depict any investment portfolio or asset allocation strategy.

Small cap vs. large cap calendar year index returns



Fund / Index history through 2/28/2010	QTR	YTD	1-year	3-year †	5-year †	Life ‡	Calendar Year Returns					Since Fund Inception	
							2009	2008	2007	2006	2005	Inception Date: 3/23/2010	
IQ Australia Small Cap ETF (NAV)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IQ Australia Small Cap ETF (MP)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IQ Australia Small Cap Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
MSCI Australia Small Cap Index	-4.43%	-7.44%	144.69%	-4.98%	7.71%	n/a	106.85%	-62.80%	23.49%	40.81%	20.38%	n/a	n/a

‡ Fund inception date: (3/23/2010)

† annualized

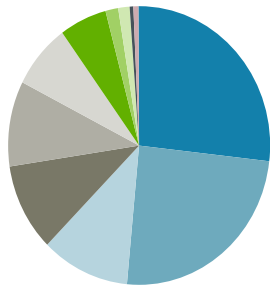
± Brokerage commissions apply. IndexIQ shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 pm net asset value (NAV). The price used to calculate market price ("MP") is determined by using the closing price listed on the NYSE Arca and does not represent returns an investor would receive if shares were traded at other times.

The performance data quoted above represents past performance. Past performance is not a guarantee of future results. Investment return and value of the Fund shares will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Fund returns reflect dividends and capital gains distributions. Fund performance current to the most recent month-end is available by calling 1-888-934-0777 or by visiting www.indexiq.com. Index performance is for illustrative purposes only and does not represent actual Fund performance. One cannot invest directly in an index. Performance data for the Index assumes reinvestment of dividends, but it does not reflect management fees, transaction costs or other expenses that you would pay if you invested in the Fund directly. No representation is being made that any investment will achieve performance similar to that shown.



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Index sector allocation⁵ (2/28/2010)



- Materials: 26.94%
- Consumer Discretionary: 24.56%
- Industrials: 10.66%
- Financials: 10.24%
- Consumer Staples: 10.03%
- Health Care: 7.65%
- Energy: 5.66%
- Utilities: 1.68%
- Transportation: 1.48%
- Technology: 0.64%
- Communications: 0.46%

Top index holdings⁵ (2/28/2010)

Name	Sector	Weight
Bendigo & Adelaide Bank Ltd.	Financials	3.40%
Aquarius Platinum Ltd.	Materials	2.91%
Downer EDI Ltd.	Industrials	2.64%
CSR Ltd.	Consumer Discretionary	2.53%
David Jones Ltd.	Consumer Discretionary	2.39%
UGL Ltd.	Industrials	2.39%
SEEK Ltd.	Consumer Staples	2.34%
Bank of Queensland Ltd.	Financials	2.31%
Billabong International Ltd.	Consumer Discretionary	2.13%
JB Hi-Fi Ltd.	Consumer Discretionary	2.12%

Consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus and the statement of additional information include this and other relevant information about the Fund and are available by visiting www.indexiq.com or calling 1-888-934-0777. Read the prospectus carefully before investing.

Risk Discussion: As the Fund's investments are concentrated in Australia, the value of its shares will be affected by factors specific to Australia and may fluctuate more widely than that of a fund which invests in a more diversified manner. Any negative changes in the agricultural or mining industries could have an adverse impact on the Australian economy. The Australian economy is heavily dependent upon trading with its key partners, including the U.S., Asia and Europe. Any reduction in this trading may cause an adverse impact on the economy in which the Fund invests. The Fund is susceptible to foreign securities risk – since the Fund invests in foreign markets, it will be subject to risk of loss not typically associated with domestic markets. The Fund is concentrated in small capitalization companies, whose stock prices generally are more volatile than those of larger companies and also are more vulnerable than those of large capitalization companies to adverse business and economic developments. Both the Fund's ability to track its Index and Fund returns in general may be adversely impacted by changes in currency exchange rates. The ETF is new and has limited operating history. The fund is not suitable for all investors. Investors in the Fund should be willing to accept a high degree of volatility in the price of the Fund's Shares and the possibility of significant losses. An investment in the Fund involves a substantial degree of risk and the Fund does not represent a complete investment program.

MSCI Australia Index is a capitalization-weighted index that aims to capture 85% of the publicly available total market capitalization of companies located in Australia. MSCI Australia Small Cap Index is a capitalization-weighted index that aims to capture the bottom 15% of the publicly available total market capitalization of companies located in Australia. Sources for IndexIQ and benchmark data: IndexIQ, FactSet, Bloomberg.

¹The Fund employs a "passive management" – or indexing – investment approach designed to track the performance of the Index. The Fund invests primarily in the Index components that comprise the Index.

²As stated in the Fund's prospectus, the expense ratio of 0.69% is expressed as a unitary fee to cover expenses incurred in connection with managing the portfolio.

³Price/Earnings Ratio is a valuation of a company's current share price compared to its per-share earnings and is not intended to demonstrate growth or income.

⁴Price/Book Ratio is used to compare a company's stock's value to its book value and is not intended to demonstrate growth or income.

⁵Demonstrates the allocations of the Fund to the various industry sectors represented by the Fund's holdings. The sector and Fund holdings are subject to change without notice.

Fund shares are not individually redeemable and will be issued and redeemed at their NAV only through certain authorized broker-dealers in large, specified blocks of shares called "creation units" and otherwise can be bought and sold only through exchange trading. Creation units are issued and redeemed principally in-kind.

IndexIQ has no obligation to take the needs of the Funds or its owners into consideration in determining, composing or calculating the Index. IndexIQ shall not be liable to any person for any error in the Index nor shall it be under any obligation to advise any person of any error therein.

The Fund is distributed by ALPS Distributors, Inc., which is not affiliated with IndexIQ or the Fund's investment advisor.

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