

**IndexIQ ETF Trust  
(the “Trust”)**

**Supplement dated December 3, 2012  
to the Prospectus and Statement of Additional Information, each dated August 27, 2012**

**IQ Emerging Markets Mid Cap ETF (EMER)**

*The following information supplements, and should be read in conjunction with, the Prospectus and Statement of Additional Information for the IQ Emerging Markets Mid Cap ETF (the “Fund”).*

On December 3, 2012, the Board of Trustees of the Trust authorized an orderly liquidation of the Fund. The Trust’s Board of Trustees determined that closing and liquidating the Fund was in the best interests of the Fund and the Fund’s shareholders.

From December 14, 2012 through December 27, 2012, the Fund will be in the process of closing down and liquidating its portfolio. This process will result in the Fund not tracking its underlying index and its cash holdings increasing, which may not be consistent with the Fund’s investment objective and strategy.

The Fund will close to new investors and will discontinue trading on the NYSE Arca, Inc. effective at the market close on Tuesday, December 18, 2012. The effective date of the Fund’s liquidation shall be on or before December 28, 2012 or such other later date as shall be specified by the Board of Trustees of the Trust or by the officers of the Trust. Shareholders of record remaining on December 28, 2012 will receive cash at the net asset value of their shares as of that date, which will include any capital gains and dividends as of such date. Such shareholders will not incur transaction fees in connection with the liquidation of their shares. Other costs of closing the Fund will be borne by IndexIQ Advisors LLC, the Fund’s investment advisor.

Shareholders may sell their holdings through December 18, 2012, incurring a transaction fee from their broker-dealer. From December 19, 2012 through December 27, 2012, shareholders may be able to sell their shares to certain broker-dealers, but there can be no assurance that there will be a market for the Fund.

**If you would like additional information, including information about other IndexIQ ETFs, please call (888) 934-0777 or visit [www.indexiq.com](http://www.indexiq.com).**

*Investors Should Retain This Supplement for Future Reference*

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# IndexIQ ETF Trust



**IQ Mexico Small Cap ETF (MEXI)**  
**IQ Asian Tigers ETF (ROAR)**  
**IQ Asian Tigers Consumer ETF (ABUY)**  
**IQ Asian Tigers Small Cap ETF (MEOW)**  
**IQ Asia Pacific ex-Japan Small Cap ETF (APXJ)**  
**IQ Australia Mid Cap ETF (MATE)**  
**IQ Canada Mid Cap ETF (CNDM)**  
**IQ Emerging Markets Mid Cap ETF (EMER)**  
**IQ Global Precious Metals Small Cap ETF (JEWL)**  
**IQ U.S. Real Estate Small Cap ETF (ROOF)**

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.



IndexIQ ETF Trust (the “Trust”) is a registered investment company that consists of separate investment portfolios called “Funds.” This Prospectus relates to the following Funds:

<u>Name</u>	<u>CUSIP</u>	<u>Symbol</u>
IQ Mexico Small Cap ETF	45409B 727	MEXI
IQ Asian Tigers ETF	45409B 719	ROAR
IQ Asian Tigers Consumer ETF	45409B 610	ABUY
IQ Asian Tigers Small Cap ETF	45409B 693	MEOW
IQ Asia Pacific ex-Japan Small Cap ETF	45409B 685	APXJ
IQ Australia Mid Cap ETF	45409B 677	MATE
IQ Canada Mid Cap ETF	45409B 669	CNDM
IQ Emerging Markets Mid Cap ETF	45409B 644	EMER
IQ Global Precious Metals Small Cap ETF	45409B 636	JEWL
IQ U.S. Real Estate Small Cap ETF	45409B 628	ROOF

Each Fund is an exchange-traded fund. This means that shares of the Funds are listed on a national securities exchange, such as the NYSE Arca, Inc., and trade at market prices. The market price for a Fund’s shares may be different from its net asset value per share (the “NAV”). Each Fund has its own CUSIP number and exchange trading symbol.

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## SUMMARY INFORMATION

### IQ MEXICO SMALL CAP ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Mexico Small Cap Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.69%

(a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$71	\$221

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## **PRINCIPAL INVESTMENT STRATEGIES**

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the small capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in Mexico.

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in Mexico;
- Primary stock exchange listing in Mexico;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Maximum average market capitalization equal to the bottom 15% ranking of companies in Mexico based on market capitalization for the prior 90 days (the “Market Cap Ceiling”);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below \$100 million or increases above the level 65% higher than the Market Cap Ceiling for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$170 million to approximately \$4.9 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## **PRINCIPAL RISKS**

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

### **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Risks of Investing in Mexico**

*Security Risk.* Mexico has experienced security issues at times, which could have an adverse impact on the Mexican economy.

*Structural Risks.* The Mexican economy is subject to considerable levels of economic, political and social instability, and historically has experienced significant currency volatility.

*Trading Partners Risk.* The Mexican economy is heavily dependent upon trading with its key partners. Any reduction in this trading may cause an adverse impact on the economy in which the Fund invests.

## **Small Capitalization Companies Risk**

The Fund invests in the securities of small capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Mexican markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in Mexican pesos and much of the income received by the Fund will be in Mexican pesos, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to Mexican pesos to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

**Market Risk**

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

**Replication Management Risk**

Unlike many investment companies, the Fund is not “actively” managed. Therefore, it would not necessarily sell a security because the security’s issuer was in financial trouble unless that security is removed from the Underlying Index.

**Non-Diversified Risk**

The Fund is classified as a “non-diversified” investment company under the Investment Company Act of 1940 (the “1940 Act”) and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

**Concentration Risk**

To the extent that the Fund’s investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

**New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

**Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund’s NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

**Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

**PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

**INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

**PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer.

Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## SUMMARY INFORMATION

### IQ ASIAN TIGERS ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Asian Tigers Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.79%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.79%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$81	\$253

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of publicly traded companies domiciled and primarily listed on an exchange in most or all of the following markets: Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam (collectively, the “Asian Tiger Markets”).

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in the Asian Tiger Markets;
- Primary stock exchange listing in the Asian Tiger Markets;
- Minimum average market capitalization of \$500 million for the prior 90 days and as of the quarterly rebalance date;
- Minimum average market capitalization equal to the top 85% ranking of companies in the Asian Tiger Markets based on market capitalization for the prior 90 days;
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below the top 90% ranking of companies in the Asian Tiger Markets for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$2.9 billion to approximately \$143.0 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Emerging Markets Risk**

The Fund is expected to invest in securities in most or all of the following emerging market countries: Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, and Vietnam. The Fund's investment in an emerging market country may be subject to a greater risk of loss than investments in developed markets.

## **Country Risk**

The Fund's investment in an Asian Tiger Market country subjects the Fund to the risks specific to investing in Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, or Vietnam, as applicable.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Asian Tiger Markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in the currencies of the countries in the Asian Tiger Markets and much of the income received by the Fund will be in the currencies of the countries in the Asian Tiger Markets, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of the countries in the Asian Tiger Markets to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

## **Risk of Cash Transactions**

Unlike most exchange-traded funds (“ETFs”), the Fund currently intends to effect all creations and redemptions in a significant proportion 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 ETF. Additionally, the purchase or sale of foreign securities upon a creation or to facilitate a redemption, as applicable, may have to be carried out over several days if the securities market is relatively illiquid and may involve considerable brokerage fees and taxes.

## **Market Risk**

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

## **Replication Management Risk**

Unlike many investment companies, the Fund is not “actively” managed. Therefore, it would not necessarily sell a security because the security’s issuer was in financial trouble unless that security is removed from the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a “non-diversified” investment company under the Investment Company Act of 1940 (the “1940 Act”) and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund’s investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund’s NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed in return for a basket of assets that the Fund specifies each day, which is anticipated to include both cash and securities received or distributed in-kind. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## SUMMARY INFORMATION

### IQ ASIAN TIGERS CONSUMER ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Asian Tigers Consumer Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.79%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.79%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$81	\$253

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of publicly traded companies operating in the consumer sector and domiciled and primarily listed on an exchange in most or all of the following markets: Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam (collectively, the “Asian Tiger Markets”). The Fund defines “consumer companies” as companies that are included in the Underlying Index at the time of purchase and generally include companies whose businesses involve: automobile, automobile parts, consumer retailers, food and beverage, personal goods, personal services, household goods, textiles, apparel, leisure goods, leisure services, hotels, restaurants and media.

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in the Asian Tiger Markets;
- Primary stock exchange listing in the Asian Tiger Markets;
- Principal business in consumer sector;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$2.0 billion to approximately \$143.0 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Emerging Markets Risk**

The Fund is expected to invest in securities in the following emerging market countries: Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, and Vietnam. The Fund's investment in an emerging market country may be subject to a greater risk of loss than investments in developed markets.

## **Country Risk**

The Fund's investment in an Asian Tiger Market country subjects the Fund to the risks specific to investing in Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, or Vietnam, as applicable.

## **Consumer Sector Risk**

The consumer sector may be strongly affected by fads, overall economic conditions, consumer spending habits, government regulation and demographics, any of which could have an adverse effect on the performance of the Fund.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Asian Tiger Markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in the currencies of the countries in the Asian Tiger Markets and much of the income received by the Fund will be in the currencies of the countries in the Asian Tiger Markets, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of the countries in the Asian Tiger Markets to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

## **Risk of Cash Transactions**

Unlike most exchange-traded funds ("ETFs"), the Fund currently intends to effect all creations and redemptions in a significant proportion 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 ETF. Additionally, the purchase or sale of foreign securities upon a creation or to facilitate a redemption, as applicable, may have to be carried out over several days if the securities market is relatively illiquid and may involve considerable brokerage fees and taxes.

## **Market Risk**

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

## **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed in return for a basket of assets that the Fund specifies each day, which is anticipated to include both cash and securities received or distributed in-kind. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## SUMMARY INFORMATION

### IQ ASIAN TIGERS SMALL CAP ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Asian Tigers Small Cap Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.79%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.79%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$81	\$253

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the small capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in most or all of the following markets: Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam (collectively, the “Asian Tiger Markets”).

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in the Asian Tiger Markets;
- Primary stock exchange listing in the Asian Tiger Markets;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Maximum average market capitalization equal to the bottom 15% ranking of companies in the Asian Tiger Markets based on market capitalization for the prior 90 days (the “Market Cap Ceiling”);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below \$100 million or increases above the level 65% higher than the Market Cap Ceiling for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$170 million to approximately \$1.1 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Emerging Markets Risk**

The Fund is expected to invest in securities in the following emerging market countries: Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand, and Vietnam. The Fund's investment in an emerging market country may be subject to a greater risk of loss than investments in developed markets.

## **Country Risk**

The Fund's investment in an Asian Tiger Market country subjects the Fund to the risks specific to investing in Indonesia, Malaysia, the Philippines, South Korea, Taiwan, Thailand, or Vietnam, as applicable.

## **Small Capitalization Companies Risk**

The Fund invests in the securities of small capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Asian Tiger Markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in the currencies of the countries in the Asian Tiger Markets and much of the income received by the Fund will be in the currencies of the countries in the Asian Tiger Markets, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of the countries in the Asian Tiger Markets to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

## **Risk of Cash Transactions**

Unlike most exchange-traded funds ("ETFs"), the Fund currently intends to effect all creations and redemptions in a significant proportion 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 ETF. Additionally, the purchase or sale of foreign securities upon a creation or to facilitate a redemption, as applicable, may have to be carried out over several days if the securities market is relatively illiquid and may involve considerable brokerage fees and taxes.

## **Market Risk**

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

## **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed in return for a basket of assets that the Fund specifies each day, which is anticipated to include both cash and securities received or distributed in-kind. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## IQ ASIA PACIFIC EX-JAPAN SMALL CAP ETF

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### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Asia Pacific ex-Japan Small Cap Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

#### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.69%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$71	\$221

### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the small capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in the following markets: Australia, Hong Kong, New Zealand, and Singapore (together, the “Asian Pacific ex-Japan Region”).

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in Australia, Hong Kong, New Zealand or Singapore;
- Primary stock exchange listing in Australia, Hong Kong, New Zealand or Singapore;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Maximum average market capitalization equal to the bottom 15% ranking of companies in Australia, Hong Kong, New Zealand and Singapore based on market capitalization for the prior 90 days (the “Market Cap Ceiling”);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below \$100 million or increases above the level 65% higher than the Market Cap Ceiling for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$640 million to approximately \$1.7 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Risks of Investing in Asia Pacific ex-Japan Region**

*Commodity Exposure Risk.* The agricultural and mining sectors of Australia's and New Zealand's economies account for the majority of their exports.

*Lack of Natural Resources Risk.* Hong Kong and Singapore are small island states with few raw material resources and limited land area and each is reliant on imports for their commodity needs.

*Trading Partners Risk.* The countries in the Asia Pacific ex-Japan Region are heavily dependent upon trading with their key partners. Any reduction in this trading may cause an adverse impact on the economies in which the Fund invests.

*Country Risk.* The Fund's investment in a country in the Asia Pacific ex-Japan Region subjects the Fund to the risks specific to investing in Australia, Hong Kong, New Zealand, or Singapore, as applicable.

## **Small Capitalization Companies Risk**

The Fund invests in the securities of small capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Australia, Hong Kong, New Zealand and Singapore markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in the currencies of the countries in Australia, Hong Kong, New Zealand and Singapore and much of the income received by the Fund will be in the currencies of Australia, Hong Kong, New Zealand and Singapore, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of Australia, Hong Kong, New Zealand and Singapore to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

## **Market Risk**

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

## **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## SUMMARY INFORMATION

### IQ AUSTRALIA MID CAP ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Australia Mid Cap Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.69%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$71	\$221

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the mid capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in Australia.

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in Australia;
- Primary stock exchange listing in Australia;
- Minimum average market capitalization of \$500 million for the prior 90 days and as of the quarterly rebalance date;
- Average market capitalization in the range between the top 85% and top 70% (the “Market Cap Ceiling”) ranking of companies in Australia based on market capitalization for the prior 90 days (in other words, issuers with market capitalizations in the top 70% ranking (large cap) or bottom 15% ranking (small cap) are ineligible for the Underlying Index);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization, for the 90 days prior to any rebalancing date, falls below the top 90% ranking of companies in Australia based on market capitalization or increases above the level 50% higher than the Market Cap Ceiling will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$1.6 billion to approximately \$7.1 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Risks of Investing in Australia**

*Commodity Exposure Risk.* Any negative changes in the agricultural or mining industries could have an adverse impact on the Australian economy.

*Geographic Risk.* A natural disaster could occur in Australia.

*Trading Partners Risk.* The Australian economy is heavily dependent upon trading with its key partners. Any reduction in this trading may cause an adverse impact on the economy in which the Fund invests.

## **Mid Capitalization Companies Risk**

The Fund invests in the securities of mid capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Australian markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in Australian dollars and much of the income received by the Fund will be in Australian dollars, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to Australian dollars to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

### **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

### **Market Risk**

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

### **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

### **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

### **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

### **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

### **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

### **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the "Advisor") is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value ("NAV"), only in blocks of 50,000 Shares or whole multiples thereof ("Creation Units"). The Fund's Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund's distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## SUMMARY INFORMATION

### IQ CANADA MID CAP ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Canada Mid Cap Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.69%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$71	\$221

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the mid capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in Canada.

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer domiciled in Canada;
- Primary stock exchange listing in Canada;
- Minimum average market capitalization of \$500 million for the prior 90 days and as of the quarterly rebalance date;
- Average market capitalization in the range between the top 85% and top 70% (the “Market Cap Ceiling”) ranking of companies in Canada based on market capitalization for the prior 90 days (in other words, issuers with market capitalizations in the top 70% ranking (large cap) or bottom 15% ranking (small cap) are ineligible for the Underlying Index);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization, for the 90 days prior to any rebalancing date, falls below the top 90% ranking of companies in Canada based on market capitalization or increases above the level 50% higher than the Market Cap Ceiling will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$2.0 billion to approximately \$7.9 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Risks of Investing in Canada**

*Commodity Exposure Risk.* Any negative changes in the agricultural or mining industries could have an adverse impact on the Canadian economy.

*Trading Partners Risk.* The Canadian economy is heavily dependent upon trading with its key partners. Any reduction in this trading may cause an adverse impact on the economy in which the Fund invests.

*Political Risk.* Past demands for sovereignty by the province of Quebec have significantly affected equity valuations and foreign currency movements in the Canadian market.

## **Mid Capitalization Companies Risk**

The Fund invests in the securities of mid capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on Canadian markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in Canadian dollars and much of the income received by the Fund will be in Canadian dollars, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to Canadian dollars to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

### **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

### **Market Risk**

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

### **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

### **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

### **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

### **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

### **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

### **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the "Advisor") is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since September 2009.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value ("NAV"), only in blocks of 50,000 Shares or whole multiples thereof ("Creation Units"). The Fund's Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer.

Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund's distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## SUMMARY INFORMATION

### IQ EMERGING MARKETS MID CAP ETF

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#### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Emerging Markets Mid Cap Index (the “Underlying Index”).

#### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

##### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

##### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.75%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.01%
Total Annual Fund Operating Expenses	<u>0.76%</u>

(a) Other expenses include the Fund’s pro rata share of fees and expenses incurred indirectly as a result of investing in other funds, including ETFs and money market funds.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years	5 Years	10 Years
\$78	\$243	\$423	\$944

#### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year ended, the Fund’s portfolio turnover rate was 72% of the average value of its portfolio.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Fund generally uses a representative sampling strategy to achieve its investment objective, meaning it generally will invest in a sample of the securities in the Underlying Index whose risk, return and other characteristics closely resemble the risk, return and other characteristics of the Underlying Index as a whole. The Fund uses American depository receipts, European depository receipts and Global depository receipts when, in the discretion of the Advisor, the use of such securities is warranted for liquidity, pricing, timing or other reasons.

The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the mid capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in the emerging markets. The emerging markets generally include less developed markets in the Americas, Europe, Asia, and Africa/Middle East.

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each annual reconstitution date:

- Issuer domiciled in an emerging market;
- Primary stock exchange listing in an emerging market;
- Minimum average market capitalization of \$500 million for the prior 90 days and as of the annual rebalance date;
- Average market capitalization in the range between the top 85% and top 70% (the “Market Cap Ceiling”) ranking of companies in the emerging markets based on market capitalization for the prior 90 days;
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on an annual basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days.

The Underlying Index Components are selected and weighted annually in connection with the reconstitution of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$510 million to approximately \$3.6 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

## **Emerging Markets Risk**

The Fund is expected to invest in securities in emerging market countries, which may be subject to a greater risk of loss than investments in developed markets.

## **Mid Capitalization Companies Risk**

The Fund invests in the securities of mid capitalization companies, the value of which may be more volatile than those of larger companies.

## **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price in emerging markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

## **Currency Risk**

The Fund will invest in securities denominated in the currencies of emerging market countries and much of the income received by the Fund will be in the currencies of such countries, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of the relevant emerging market countries to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

## **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

## **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

## **Risk of Cash Transactions**

Unlike most exchange-traded funds (“ETFs”), the Fund currently intends to effect all creations and redemptions in a significant proportion 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 ETF. Additionally, the purchase or sale of foreign securities upon a creation or to facilitate a redemption, as applicable, may have to be carried out over several days if the securities market is relatively illiquid and may involve considerable brokerage fees and taxes.

## **Market Risk**

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

## **Sampling Management Risk**

Unlike many investment companies, the Fund is not “actively” managed. Therefore, it would not necessarily sell a security because the security’s issuer was in financial trouble unless that security is removed from the Underlying Index or from the sampling strategy used to track the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a “non-diversified” investment company under the Investment Company Act of 1940 (the “1940 Act”) and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund’s investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund’s NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

Although the Fund commenced operations on July 12, 2011, no performance information is presented for the Fund because it has been in operation for less than one full calendar year. After the first full calendar year, a risk/return chart and table will be provided. Any past performance of the Fund that will be shown will not be an indication of future results.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed in return for a basket of assets that the Fund specifies each day, which is anticipated to include both cash and securities received or distributed in-kind. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## IQ GLOBAL PRECIOUS METALS SMALL CAP ETF

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### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ Global Precious Metals Small Cap Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

#### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	0.69%

- (a) The Fund has not yet commenced operations and Other Expenses are based on estimated amounts for the current fiscal year.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

1 Year	3 Years
\$71	\$221

### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. As of the date of this Prospectus, the Fund had not yet commenced operations.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the global, small capitalization sector of publicly traded companies that are engaged primarily in the gold and other precious metals mining industries (“Precious Metals Companies”).

The components of the Underlying Index (the “Underlying Index Components”) that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer engaged in the gold, silver and other precious metals mining industries, as determined by Standard Industrial Classification (“SIC”) code classifications;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Maximum average market capitalization equal to the bottom 10% ranking of companies globally based on market capitalization for the prior 90 days (the “Market Cap Ceiling”);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below \$100 million or increases above the level 65% higher than the Market Cap Ceiling for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the United States (“U.S.”) dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$150 million to approximately \$1.3 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

### Index Risk

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

### **Tracking Error Risk**

Although the 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.

### **Foreign Securities Risk**

The Fund invests in the securities of non-U.S. issuers, which securities involve risks beyond those associated with investments in U.S. securities.

### **Small Capitalization Companies Risk**

The Fund invests in the securities of small capitalization companies, the value of which may be more volatile than those of larger companies.

### **Precious Metals Sector Risk**

Investments related to gold, silver and other precious metals are considered speculative and are affected by a variety of worldwide economic, financial and political factors, all of which may lead to sharp fluctuations in prices over time, causing volatility in the prices of the securities held by the Fund.

### **Relationship to Precious Metals**

The Underlying Index measures the performance of equity securities of Precious Metals Companies and not precious metals, which may perform differently.

### **Foreign Securities Valuation Risk**

To the extent the Fund calculates its NAV based on fair value prices and the value of the Underlying Index is based on the securities' closing price on foreign markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of the Fund's NAV may deviate from the calculation of the Underlying Index.

### **Currency Risk**

The Fund will invest in part in securities denominated in the currencies of non-U.S. countries and much of the income received by the Fund will be in the currencies of non-U.S. countries, but the Underlying Index and the Fund's NAV will be calculated in U.S. dollars. Furthermore the Fund may convert cash in U.S. dollars to the currencies of non-U.S. countries to purchase securities. Both the Fund's ability to track the Underlying Index and Fund returns in general may be adversely impacted by changes in currency exchange rates.

### **Equity Risk**

The value of the securities held by the Fund may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate or factors relating to specific companies in which the Fund invests.

### **Risk of Investing in Depositary Receipts**

The Fund may invest in depositary receipts, including certain unsponsored depositary receipts. Both sponsored and unsponsored depositary receipts involve risk not experienced when investing directly in the equity securities of an issuer.

### **Custody Risk**

The Fund invests in securities markets that are less developed than those in the U.S., which may expose the 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.

### **Market Risk**

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

### **Replication Management Risk**

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index.

### **Non-Diversified Risk**

The Fund is classified as a "non-diversified" investment company under the Investment Company Act of 1940 (the "1940 Act") and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

### **Concentration Risk**

To the extent that the Fund's investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

### **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

### **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund's NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

### **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

As of the date of this Prospectus, the Fund has not yet commenced operations and therefore does not report its performance information.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the "Advisor") is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value ("NAV"), only in blocks of 50,000 Shares or whole multiples thereof ("Creation Units"). The Fund's Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund's distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## IQ U.S. REAL ESTATE SMALL CAP ETF

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### INVESTMENT OBJECTIVE

The Fund seeks investment results that correspond (before fees and expenses) generally to the price and yield performance of its underlying index, the IQ U.S. Real Estate Small Cap Index (the “Underlying Index”).

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund (“Shares”). Investors purchasing Shares on a national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time (each, a “Secondary Market”) may be subject to customary brokerage commissions charged by their broker that are not reflected in the table set forth below.

#### Shareholder Fees (fees paid directly from your investment):

No shareholder fees are levied by the Fund for purchases and sales made on the Secondary Market.

#### Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):

Management Fee	0.69%
Distribution and/or Service (12b-1) Fees	0.00%
Other Expenses <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses	<u>0.69%</u>

(a) Other expenses include the Fund’s pro rata share of fees and expenses incurred indirectly as a result of investing in other funds, including ETFs and money market funds.

**Example.** This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other funds. This example does not take into account brokerage commissions that you pay when purchasing or selling Shares of the Fund.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund’s operating expenses remain at current levels. The return of 5% and estimated expenses are for illustration purposes only, and should not be considered indicators of expected Fund expenses or performance, which may be greater or less than the estimates. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$71	\$222	\$387	\$864

### PORTFOLIO TURNOVER

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Shares are held in a taxable account. These costs, which are not reflected in annual Fund operating expenses or in the example, affect the Fund’s performance. During the most recent fiscal year ended, the Fund’s portfolio turnover rate was 11% of the average value of its portfolio.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund employs a “passive management” – or indexing – investment approach designed to track the performance of the Underlying Index, which was developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of IndexIQ Advisors LLC, the Fund’s investment advisor (the “Advisor”). The Underlying Index is a rules based, modified capitalization weighted, float adjusted index intended to give investors a means of tracking the overall performance of the small capitalization sector of publicly traded companies domiciled and primarily listed on an exchange in the United States (“U.S.”) and that invest in real estate, such as Real Estate Investment Trusts (“REITs”) or real estate holding companies (collectively, “Real Estate Companies”).

Under normal circumstances, the Fund invests at least 80% of its net assets, plus the amount of any borrowings for investment purposes, in the components that make up its Underlying Index (the “Underlying Index Components”). The Underlying Index Components that are eligible for inclusion in the Underlying Index include the following characteristics, measured as of each quarterly rebalance date:

- Issuer engaged in the real estate investment industry, as determined by Standard Industrial Classification (“SIC”) code classifications;
- Issuer domiciled in the U.S.;
- Primary stock exchange listing in the U.S.;
- Minimum average market capitalization of \$150 million for the prior 90 days and as of the quarterly rebalance date;
- Maximum average market capitalization equal to the bottom 10% ranking of Real Estate Companies in the U.S. based on market capitalization for the prior 90 days (the “Market Cap Ceiling”);
- Minimum average daily trading volume of at least \$1 million for the prior 90 days; and
- Minimum monthly volume of 250,000 shares each month over the prior six months.

Securities of issuers with recent stock exchange listings (*i.e.*, recent initial public offerings) may be added to the Underlying Index on a quarterly basis, provided that the companies meet all eligibility criteria and have been trading for more than ten trading days. Existing Underlying Index Components whose average market capitalization falls below \$100 million or increases above the level 65% higher than the Market Cap Ceiling for the 90 days prior to any rebalancing date will no longer be eligible for inclusion.

The Underlying Index Components are selected quarterly in connection with the reconstitution of the Underlying Index. Their respective weights are rebalanced quarterly in connection with the rebalance of the Underlying Index.

As of June 30, 2012, the U.S. dollar-denominated market capitalizations of the Underlying Index Components ranged from approximately \$130 million to approximately \$2.1 billion.

The Fund invests, under normal circumstances, at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the investments included in its Underlying Index. For additional information about the Fund’s principal investment strategies, see “Additional Description of the Principal Strategies of the Funds.”

## PRINCIPAL RISKS

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. Therefore, you should consider carefully the following risks before investing in the Fund. A more complete discussion of Principal Risks is included under “Additional Description of the Principal Risks of the Funds.”

## **Index Risk**

The performance of the Underlying Index and the Fund may deviate from that of the sector the Underlying Index seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

Although the 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.

## **Small Capitalization Companies Risk**

The Fund invests in the securities of small capitalization companies, the value of which may be more volatile than those of larger companies.

## **Real Estate Investment Risks**

The Fund invests in companies that invest in real estate and thus is exposed to risks inherent to the real estate market, including concentration risk, interest rate risk, leverage risk, property risk and management risk.

## **Market Risk**

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

## **Replication Management Risk**

Unlike many investment companies, the Fund is not “actively” managed. Therefore, it would not necessarily sell a security because the security’s issuer was in financial trouble unless that security is removed from the Underlying Index.

## **Non-Diversified Risk**

The Fund is classified as a “non-diversified” investment company under the Investment Company Act of 1940 (the “1940 Act”) and is subject to the risk that it will be more volatile than a diversified fund because the Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise the Underlying Index.

## **Concentration Risk**

To the extent that the Fund’s investments are concentrated in a particular country, market, industry or asset class, the Fund will be susceptible to loss due to adverse occurrences affecting that country, market, industry or asset class.

## **New Fund Risk**

The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels or it could ultimately liquidate.

## **Trading Price Risk**

Although it is expected that generally the market price of the Shares will approximate the Fund’s NAV, there may be times when the market price in the Secondary Market and the NAV vary significantly.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **PERFORMANCE INFORMATION**

Although the Fund commenced operations on June 13, 2011, no performance information is presented for the Fund because it has been in operation for less than one full calendar year. After the first full calendar year, a risk/return chart and table will be provided. Any past performance of the Fund that will be shown will not be an indication of future results.

## **INVESTMENT ADVISOR**

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to the Fund.

## **PORTFOLIO MANAGER**

Julie Abbett is Senior Vice President and Head of Portfolio Management for the Advisor. Ms. Abbett has been with the Advisor since September 2009 and has served as portfolio manager of the Fund since its inception.

## **PURCHASE AND SALE OF FUND SHARES**

Unlike conventional mutual funds, the Fund issues and redeems Shares on a continuous basis, at net asset value (“NAV”), only in blocks of 50,000 Shares or whole multiples thereof (“Creation Units”). The Fund’s Creation Units are issued and redeemed principally in-kind for securities included in the Fund. Retail investors may acquire Shares on NYSE Arca, Inc. through a broker-dealer. Shares of the Fund will trade at market price rather than NAV. As such, Shares may trade at a price greater than NAV (premium) or less than NAV (discount).

## **TAX INFORMATION**

The Fund’s distributions are taxable and will generally be taxed as ordinary income or capital gains.

## **FINANCIAL INTERMEDIARY COMPENSATION**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Advisor may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## **OVERVIEW**

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The Trust is an investment company consisting of separate investment portfolios (each, a “Fund”) that are exchange-traded funds (“ETFs”). ETFs are funds whose shares are listed on a stock exchange and traded like equity securities at market prices. ETFs, such as the Funds, allow you to buy or sell shares that represent the collective performance of a selected group of securities. ETFs are designed to add the flexibility, ease and liquidity of stock-trading to the benefits of traditional index fund investing. The investment objective of each Fund is to replicate as closely as possible, before fees and expenses, the price and yield performance of a particular index (each, an “Underlying Index”) developed by Financial Development Holdco LLC (“IndexIQ”), the parent company of the Funds’ investment advisor.

This prospectus provides the information you need to make an informed decision about investing in the Funds. It contains important facts about the Trust as a whole and each Fund in particular.

IndexIQ Advisors LLC (the “Advisor”) is the investment advisor to each Fund.

## PREMIUM/DISCOUNT INFORMATION

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As of the date of this Prospectus, the IQ Mexico Small Cap ETF, IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, IQ Asia Pacific ex-Japan Small Cap ETF, IQ Australia Mid Cap ETF, IQ Canada Mid Cap ETF and IQ Global Precious Metals Small Cap ETF have not yet commenced operations and therefore have not accumulated information to report regarding the extent and frequency with which market prices of Shares have tracked such Funds' NAV.

Information regarding the extent and frequency with which market prices of Shares have tracked the relevant Fund's NAV for the most recently completed calendar year and the quarters since that year will be available without charge on the Funds' website at [www.indexiq.com](http://www.indexiq.com).

## ADDITIONAL DESCRIPTION OF THE PRINCIPAL STRATEGIES OF THE FUNDS

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Each Fund employs a "passive management" – or indexing – investment approach designed to track the performance of its Underlying Index. The Advisor seeks a correlation over time of 0.95 or better between each Fund's performance, before fees and expenses, and the performance of its Underlying Index. A figure of 1.00 would represent perfect correlation.

Each Fund except for the IQ Emerging Markets Mid Cap ETF generally will invest in all of the securities that comprise its Underlying Index in proportion to their weightings in the Underlying Index; however, under various circumstances, it may not be possible or practicable to purchase all of the securities in the Underlying Index in those weightings. In those circumstances, the Fund may purchase a sample of the securities in the Underlying Index or utilize various combinations of other available investment techniques in seeking to replicate generally the performance of the Underlying Index as a whole. The IQ Emerging Markets Mid Cap ETF uses a representative sampling method as a principal investment strategy.

Under normal circumstances, each Fund invests at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in the components that make up its Underlying Index (the "Underlying Index Components") and, with the exception of the IQ U.S. Real Estate Small Cap ETF, in depositary receipts based on the securities in its Underlying Index. The IQ Emerging Markets Mid Cap ETF invests in depositary receipts as a principal investment strategy.

Underlying Index Components are selected quarterly for all of the Underlying Indexes other than the IQ Emerging Markets Mid Cap Index, which are selected annually, in connection with the reconstitution of the relevant Underlying Index (the "Underlying Index Reconstitution"). The respective weights of the Underlying Index Components are rebalanced quarterly, except for the Underlying Index Components of the IQ Emerging Markets Mid Cap ETF, which are rebalanced annually, using a modified capitalization weighted, float adjusted methodology, as further modified so as to ensure compliance with the diversification requirements of Subchapter M of the Internal Revenue Code, in connection with the rebalance of the Underlying Index (the "Underlying Index Rebalance"). The Underlying Index Reconstitution and Underlying Index Rebalance for the IQ Mexico Small Cap ETF, IQ Australia Mid Cap ETF and IQ Canada Mid Cap ETF occur quarterly on the third Friday of March, June, September and December. The Underlying Index Reconstitution and Underlying Index Rebalance for the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, IQ Asia Pacific ex-Japan Small Cap ETF, IQ U.S. Real Estate Small Cap ETF and IQ Global Precious Metals Small Cap ETF occur quarterly on the fourth Friday of March, June, September and December. Share weights of the Underlying Index Components remain constant between quarters, except in the event of certain types of corporate actions, including stock splits and reverse stock splits. The Underlying Index Reconstitution and Underlying Index Rebalance for the IQ Emerging Markets Mid Cap ETF occur annually on the third Friday of March.

Each Fund may invest up to 20% of its net assets in investments not included in the Underlying Index, but which the Advisor believes will help the Fund track its Underlying Index. For example, there may be instances in which the Advisor may choose to purchase (or sell) securities not in the Underlying Index which the Advisor believes are appropriate to substitute for one or more Underlying Index Components in seeking to replicate, before fees and expenses, the performance of the Underlying Index.

Furthermore, each Fund may invest in one or more financial instruments, including but not limited to futures contracts, swap agreements and forward contracts, reverse repurchase agreements, and options on securities, indices and futures contracts (“Financial Instruments”). As an example of the use of such Financial Instruments, a Fund may use total return swaps on one or more Underlying Index Components in order to achieve exposures that are similar to those of the Underlying Index.

As Fund cash flows permit, the Advisor may use cash flows to adjust the weights of each Fund’s underlying investments in an effort to minimize any differences in weights between the Fund and its Underlying Index.

The Underlying Index Components of each Fund other than the IQ U.S. Real Estate Small Cap ETF generally provide exposure to non-U.S. equity securities. Under normal circumstances, at least 80% of each such Fund’s assets will be invested in securities of issuers domiciled and listed on an exchange in the country or countries designated for such Fund, or depository receipts based on the securities of such issuers. At least 40% of the net assets of the IQ Global Precious Metals Small Cap ETF’s will be comprised of securities of issuers in two or more non-U.S. countries, based on domicile or depository receipts based on the securities of such issuers.

For the IQ Asian Tigers Consumer ETF and IQ Global Precious Metals Small Cap ETF, under normal circumstances, at least 80% of each such Fund’s assets will be comprised of securities of issuers primarily engaged in the consumer sector or gold and precious metals mining sector, as applicable or depository receipts based on the securities of such issuers.

For the IQ U.S. Real Estate Small Cap ETF, under normal circumstances, at least 80% of the Fund’s assets will be comprised of securities of issuers primarily engaged in the real estate sector.

For the IQ Mexico Small Cap ETF, IQ Asian Tigers Small Cap ETF and IQ Asia Pacific ex-Japan Small Cap ETF, under normal circumstances, at least 80% of each such Fund’s assets will be invested in securities of issuers with market capitalization greater than \$150 million and capitalization in the bottom 15% ranking of companies in the country or countries designated for such Fund based on market capitalization, as measured on rebalance days of the Fund, or depository receipts based on the securities of such issuers.

For the IQ U.S. Real Estate Small Cap ETF, under normal circumstances, at least 80% of the Fund’s assets will be invested in securities of issuers with market capitalization greater than \$150 million and capitalization in the bottom 10% ranking of real estate investment companies in the U.S. based on market capitalization, as measured on rebalance days of the Fund.

For the IQ Global Precious Metals Small Cap ETF, under normal circumstances, at least 80% of the Fund’s assets will be invested in securities of issuers with market capitalization greater than \$150 million and capitalization in the bottom 10% ranking of precious metals mining companies globally based on market capitalization, as measured on rebalance days of the Fund, or depository receipts based on the securities of such issuers.

For the IQ Australia Mid Cap ETF, IQ Canada Mid Cap ETF and IQ Emerging Markets Mid Cap ETF, under normal circumstances, at least 80% of the Fund’s assets will be invested in securities of issuers with market capitalization greater than \$500 million and capitalization in the range between the top 85% and the top 70% ranking of companies (in other words, issuers with market capitalizations in the top 70% ranking (large cap) or bottom 15% ranking (small cap) are ineligible) in the countries designated for the Fund based on market capitalization, as measured on rebalance days of the Fund, or depository receipts based on the securities of such issuers.

## ADDITIONAL DESCRIPTION OF THE PRINCIPAL RISKS OF THE FUNDS

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Investors in the Funds should carefully consider the risks of investing in the Funds as set forth in each Fund’s Summary Information section under “Principal Risks.” To the extent such risks apply, they are discussed hereunder in greater detail. Unless otherwise noted, the following risks apply to all of the Funds.

## **Index Risk**

The Underlying Indexes are new and have limited historical performance data that is not predictive of future results. The Underlying Indexes and the Funds rebalance only on a quarterly basis, which may cause the performance of the Underlying Indexes and the Funds to deviate from that of the sector the Underlying Indexes seeks to track due to changes that are reflected in the sector more quickly than the quarterly rebalancing process can track.

## **Tracking Error Risk**

The Funds' performance may not match their respective Underlying Indexes 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 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 in a significant portion in cash transactions for the creation and redemption of Shares, such practice may affect the Fund's ability to match the return of its Underlying Index. In addition, tracking error may be created by "Foreign Securities Valuation Risk," "Currency Risk," "Risk of Investing in Depositary Receipts" or the use of derivative instruments to track Underlying Index Components.

## **Foreign Securities Risk**

The following risk applies to each Fund except the IQ U.S. Real Estate Small Cap ETF.

Investments in the securities of non-U.S. issuers involve risks beyond those associated with investments in U.S. securities. These additional risks include greater market volatility, the availability of less reliable financial information, higher transactional and custody costs, taxation by foreign governments, decreased market liquidity and political instability. Foreign issuers are often subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping than are U.S. issuers, and therefore not all material information will be available. Securities exchanges or foreign governments may adopt rules or regulations that may negatively impact a Fund's ability to invest in foreign securities or may prevent a Fund from repatriating its investments. In addition, a Fund may not receive shareholder communications or be permitted to vote the securities that it holds, as the issuers may be under no legal obligation to distribute them.

## **Emerging Markets Risk**

The following risk applies to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, and IQ Emerging Markets Mid Cap ETF.

Investment in emerging markets subjects the Fund to a greater risk of loss than investments in a developed market. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, high levels of inflation, deflation or currency devaluation, greater risk of market shut down, and more governmental limitations on foreign investment policy than those typically found in a developed market. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries. As a result, there will tend to be an increased risk of price volatility in a Fund's investments in emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar. Settlement practices for transactions in foreign markets may differ from those in U.S. markets. Such differences include delays beyond periods customary in the U.S. and practices, such as delivery of securities prior to receipt of payment, which increase the likelihood of a "failed settlement." Failed settlements can result in losses to the Fund. For these and other reasons, investments in emerging markets are often considered speculative.

## Risks of Investing in Asia Pacific ex-Japan Region

The following risks apply to the IQ Asia Pacific ex-Japan Small Cap ETF.

*Commodity Exposure Risk.* The agricultural and mining sectors of Australia's and New Zealand's economies account for the majority of their exports. Both countries are susceptible to fluctuations in the commodity markets and, in particular, in the price and demand for agricultural products and natural resources.

*Lack of Natural Resources Risk.* Hong Kong and Singapore are small island states with few raw material resources and limited land area and each is reliant on imports for their commodity needs. Any fluctuations or shortages in the commodity markets could have a negative impact on these economies. Given its size and position, Singapore is also particularly influenced by socio-political and economic conditions of its neighbors, Indonesia and Malaysia, relying on both as markets for Singapore's service industry and on Malaysia for its raw water supply.

*Trading Partners Risk.* The countries in the Asia Pacific ex-Japan region are dependent on the economies of Asia, Australasia, Europe and the U.S. as key trading partners. Reduction in spending by any of these economies on Asia Pacific ex-Japan products and services or negative changes in any of these economies may cause an adverse impact on the Asia Pacific ex-Japan economies:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Asia Pacific ex-Japan economies.
- *Australasian Economic Risk.* The economies of Australasia, which include Australia and New Zealand, are dependent on exports from the agricultural and mining sectors. This makes Australasian economies susceptible to fluctuations in the commodity markets. Australasian economies are also increasingly dependent on their growing service industries.
- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with Asia Pacific ex-Japan countries. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Asia Pacific ex-Japan countries.
- *U.S. Economic Risk.* The U.S. is a large trading partner and source of capital for Asia Pacific ex-Japan countries. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Asia Pacific ex-Japan economy.

## Risks of Investing in Australia

The following risks apply the IQ Asia Pacific ex-Japan Small Cap ETF and the IQ Australia Mid Cap ETF.

*Commodity Exposure Risk.* The agricultural and mining sectors of Australia's economy account for the majority of its exports. Australia is susceptible to fluctuations in the commodity markets and, in particular, in the price and demand for agricultural products and natural resources. Any negative changes in these sectors could have an adverse impact on the Australian economy.

*Geographic Risk.* Australia is located in a part of the world that has historically been prone to natural disasters such as drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Australian economy.

*Trading Partners Risk.* The Australian economy is dependent on the economies of the U.S., Asia and Europe as key trading partners. Reduction in spending by any of these economies on Australian products and services or negative changes in any of these economies may cause an adverse impact on the Australian economy:

- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in European Union (“EU”) economies may have a significant adverse effect on the economies of EU members and their trade with Australia. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Australia.
- *U.S. Economic Risk.* The U.S. is Australia’s largest trade and investment partner. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Australian economy.
- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Australian economy.

## **Risks of Investing in Canada**

The following risks apply to the IQ Canada Mid Cap ETF.

*Commodity Exposure Risk.* The Canadian economy is highly dependent on the demand for and price of natural resources. As a result, the Canadian market is relatively concentrated in issuers involved in the production and distribution of natural resources and any changes in these sectors could have an adverse impact on the Canadian economy.

*Trading Partners Risk.* The Canadian economy is dependent on the economies of the U.S., Mexico and Europe as key trading partners. Reduction in spending by any of these economies on Canadian products and services or negative changes in any of these economies may cause an adverse impact on the Canadian economy:

- *North American Economic Risk.* The U.S. is Canada’s largest trade and investment partner and the Canadian economy is significantly affected by developments in the U.S. economy. Since the implementation of the North American Free Trade Agreement (“NAFTA”) in 1994 among Canada, the U.S. and Mexico, total two-way merchandise trade between the U.S. and Canada has more than doubled. To further this relationship, the three NAFTA countries entered into the security and prosperity partnership of North America in March 2005, which may further affect Canada’s dependency on the U.S. economy. Any downturn in U.S. or Mexican economic activity is likely to have an adverse impact on the Canadian economy.
- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with Canada. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Canada.

*Political Risk.* Past demands for sovereignty by the province of Quebec have significantly affected equity valuations and foreign currency movements in the Canadian market.

## Risks of Investing in Hong Kong

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF, and the IQ Asia Pacific ex-Japan Small Cap ETF.

*Financial Services Exposure Risk.* The Hong Kong economy is highly dependent on the health of the financial services industry. As a result, the Hong Kong market is relatively concentrated in issuers involved in financial services and any changes in this sector could have an adverse impact on the Hong Kong economy.

*Geographic Risk.* Hong Kong is located in a part of the world that has historically been prone to natural disasters such as earthquakes and flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Hong Kong economy.

*Trading Partners Risk.* The Hong Kong economy is dependent on the economies of the Asia, Europe and the U.S. as key trading partners. Reduction in spending by these economies on Hong Kong products and services, or a downturn in any of these economies may have an adverse impact on the Hong Kong economy.

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Hong Kong economy.
- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with Hong Kong. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Hong Kong.
- *U.S. Economic Risk.* The U.S. is a large trade and investment partner of Hong Kong. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Hong Kong economy.

*Political Risk.* Hong Kong reverted to Chinese sovereignty on July 1, 1997 as a Special Administrative Region (SAR) of the People's Republic of China under the principle of "one country, two systems." Although China is obligated to maintain the current capitalist economic and social system of Hong Kong through June 30, 2047, the continuation of economic and social freedoms enjoyed in Hong Kong is dependent on the government of China. Any attempt by China to tighten its control over Hong Kong's political, economic or social policies may result in an adverse effect on Hong Kong's economy and its securities market.

*Business Partner Risk.* From time to time, certain of the companies comprising the Index that are located in Hong Kong may operate in, or have dealings with, countries subject to sanctions or embargoes imposed by the U.S. government and the United Nations and/or in countries identified by the U.S. government as state sponsors of terrorism. One or more of these companies may be subject to constraints under U.S. law or regulations which could negatively affect the company's performance, and/or could suffer damage to its reputation if it is identified as a company which invests or deals with countries which are identified by the U.S. government as state sponsors of terrorism or subject to sanctions. As an investor in such companies, the Fund is indirectly subject to those risks.

*Lack of Natural Resources Risk.* Hong Kong is a small island state with few raw material resources and limited land area and is reliant on imports for its commodity needs. Any fluctuations or shortages in the commodity markets could have a negative impact on the Hong Kong economy.

## Risks of Investing in Indonesia

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as Indonesia are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Basic Materials Sector Risk.* The Indonesian economy is sensitive to changes in the basic materials sector. Companies engaged in the production and distribution of basic materials may be adversely affected by changes in world events, political and economic conditions, energy conservation, environmental policies, commodity price volatility, changes in exchange rates, imposition of import controls, increased competition, depletion of resources and labor relations.

*Geographic Risk.* Indonesia is located in a part of the world that has historically been prone to natural disasters such as earthquakes and flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Indonesian economy.

*Trading Partners Risk.* The Indonesian economy is dependent on the economies of Asia (primarily Japan, China and Singapore) and the U.S. as key trading partners. Reduction in spending by any of these economies on Indonesian products and services or negative changes in any of these economies may cause an adverse impact on the Indonesian economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Indonesian economy.
- *U.S. Economic Risk.* The U.S. is a significant trading and investment partner of Indonesia. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Indonesian economy.

*Political Risk.* Indonesia's political institutions and democracy have a relatively short history, increasing the risk of political instability. The Indonesian government may exercise substantial influence over many aspects of the private sector and may own or control many companies. Risks include, among others, expropriation and/or nationalization of assets, confiscatory taxation, political instability, including authoritarian and/or military involvement in governmental decision-making, armed conflict and social instability as a result of religious, ethnic and/or socioeconomic unrest. Future government actions could have a significant effect on the economic conditions in Indonesia, which could have a negative impact on private sector companies. Corruption and the perceived lack of a rule of law in dealings with international companies may discourage foreign direct investment and could negatively impact the long-term growth of the economy of Indonesia. There is also the possibility of diplomatic developments that could adversely affect investments in Indonesia.

*Security Risk.* Indonesia has historically experienced acts of terrorism predominantly targeted at foreigners, which has had a negative impact on tourism. Indonesia has in the past faced political and militant unrest within several of its regions, and further unrest could present a risk to the local economy and securities markets. These situations may cause uncertainty in the Indonesian market and may adversely affect the performance of the Indonesian economy.

## Risks of Investing in Malaysia

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as Malaysia are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Geographic Risk.* Malaysia is located in a part of the world that has historically been prone to natural disasters such as earthquakes and flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Malaysian economy.

*Trading Partners Risk.* The Malaysian economy is dependent on the economies of Southeast Asia and the U.S. as key trading partners. Reduction in spending by any of these economies on Malaysian products and services or negative changes in any of these economies may cause an adverse impact on the Malaysian economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Malaysian economy.
- *U.S. Economic Risk.* The U.S. is a significant trading and investment partner of Malaysia. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Malaysian economy.

*Risk of Capital Controls.* Volatility in the exchange rate of the Malaysian ringgit and general economic deterioration recently led to the imposition and then reversal of stringent capital controls, a prohibition on repatriation of capital and an indefinite prohibition on free transfers of securities. A levy was placed on profits repatriated by foreign entities such as ETFs and the ETF creation D redemption mechanism was adversely affected, resulting in trading prices that differed materially from fund NAV on many days. There can be no assurance that a similar levy will not be reinstated by Malaysian authorities in the future, to the possible detriment of the Fund and its shareholders. There can be no assurance that Malaysian capital controls will not be changed in the future in ways that adversely affect the Fund and its shareholders.

*Security Risk.* Malaysia has historically experienced acts of terrorism and strained international relations related to border disputes, historical animosities and other defense concerns. These situations may cause uncertainty in the Malaysian market and may adversely affect the performance of the Malaysian economy.

## **Risks of Investing in Mexico**

The following risks apply to the IQ Mexico Small Cap ETF.

*Security Risk.* Mexico has historically experienced acts of terrorism, significant criminal activity and strained international relations related to border disputes; the drug trade; and other security-related concerns. These situations may hamper Mexican economic growth or cause prolonged periods of market volatility and recession.

*Structural Risks.* The Mexican markets have been quite unstable due to political uncertainty and currency instability. Mexico's historical experience with one-party rule has been challenged in recent years and this could lead to further political uncertainty.

*Trading Partners Risk.* The Mexican economy is dependent on the economies of the Americas as key trading partners. Reduction in spending by any of these economies on Mexican products and services or negative changes in any of these economies may cause an adverse impact on the Mexican economy:

- *Central and South American Economic Risk.* The Mexican economy may be significantly affected by the economies of other Central and South American countries. Some of these countries have experienced high interest, inflation, and unemployment rates. Currency devaluations in any Central or South American country can have a significant effect on the entire region. Given the importance of commodities to the

region's exports, the economies of Central and South American countries are particularly sensitive to fluctuations in commodity prices, contributing to their overall volatility.

- *North American Economic Risk.* The U.S. is Mexico's largest trade and investment partner and the Mexican economy is heavily influenced by economic events in the U.S. The Canadian economy also is very influential on the Mexican economy, particularly since the passage of the North American Free Trade Agreement in 1994. Any downturn in either the U.S. or Canada is likely to have an adverse impact on the Mexican economy.

### **Risks of Investing in New Zealand**

The following risks apply to the IQ Asia Pacific ex-Japan Small Cap ETF.

*Commodity Exposure Risk.* The agricultural and mining sectors of New Zealand's economy account for the majority of its exports. New Zealand is susceptible to fluctuations in the commodity markets and, in particular, in the price and demand for agricultural products and natural resources. Any negative changes in these sectors could have an adverse impact on the New Zealand economy.

*Geographic Risk.* New Zealand is located in a part of the world that has historically been prone to natural disasters such as drought and earthquakes and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the New Zealand economy.

*Trading Partners Risk.* The New Zealand economy is dependent on the economies of Asia, Australia and the U.S. as key trading partners. Reduction in spending by any of these economies on New Zealand products and services or negative changes in any of these economies may cause an adverse impact on the New Zealand economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the New Zealand economy.
- *Australian Economic Risk.* New Zealand's economy is heavily dependent on trade with Australia, which is also dependent on agriculture and therefore sensitive to fluctuations in commodity prices.
- *U.S. Economic Risk.* The U.S. is one of New Zealand's largest trade and investment partners. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the New Zealand economy.

### **Risks of Investing in the Philippines**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as the Philippines are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Geographic Risk.* The Philippines are located in a part of the world that has historically been prone to natural disasters such as flooding and drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Philippine economy.

*Trading Partners Risk.* The Philippine economy is dependent on the economies of Asia, the U.S., and Europe as key trading partners. Reduction in spending by any of these economies on Philippine products and services or negative changes in any of these economies may cause an adverse impact on the Philippine economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Philippine economy.
- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with the Philippines. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with the Philippines.
- *U.S. Economic Risk.* The U.S. is the largest export market for Philippine goods. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Philippine economy.

*Security Risk.* The Philippines have historically experienced acts of terrorism, coup attempts, separatist movements in their southern region, and other defense concerns. These situations may cause uncertainty in the Philippines market and may adversely affect the performance of the Philippines economy. Religious conflicts and a high poverty rate also create increased risks for businesses in the Philippines.

### **Risks of Investing in Singapore**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF, and the IQ Asia Pacific ex-Japan Small Cap ETF.

*Lack of Natural Resources Risk.* Singapore is a small island state with few raw material resources and limited land area and is reliant on imports for its commodity needs. Any fluctuations or shortages in the commodity markets could have a negative impact on the Singaporean economy. Given its size and position, Singapore is also sensitive to the socio-political and economic developments of its neighbors, Indonesia and Malaysia, relying on both as markets for Singapore's service industry and on Malaysia for its raw water supply.

*Geographic Risk.* Singapore is located in a part of the world that has historically been prone to natural disasters such as flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Singaporean economy.

*Trading Partners Risk.* The Singaporean economy is dependent on the economies of the U.S. and Asia, most significantly those of Indonesia, Malaysia and China, as key trading partners. Reduction in spending by any of these economies on Singaporean products and services or negative changes in any of these economies may cause an adverse impact on the Singaporean economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Singaporean economy.
- *U.S. Economic Risk.* The U.S. is a significant trade and investment partner of Singapore. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Singaporean economy.

*Labor Risk.* Rising labor costs and increasing environmental consciousness have led some labor-intensive industries to relocate to countries with cheaper work forces, and continued labor outsourcing may adversely affect the Singaporean economy.

## **Risks of Investing in South Korea**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as South Korea are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Geographic Risk.* South Korea is located in a part of the world that has historically been prone to natural disasters such as earthquakes and flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the South Korean economy.

*Trading Partners Risk.* The South Korean economy is dependent on the economies of Asia and the U.S. as key trading partners. Reduction in spending by any of these economies on South Korean products and services or negative changes in any of these economies, mainly in China and Southeast Asia, may cause an adverse impact on the South Korean economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the South Korean economy.
- *U.S. Economic Risk.* The U.S. is a large trade partner of and investor in South Korea. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the South Korean economy.

*Labor Risk.* South Korea's economic growth potential is susceptible to problems from large scale emigration, rigid labor regulations and ongoing labor relations issues. In addition, the average age of South Korea's workforce is rapidly increasing.

*Security Risk.* North Korea and South Korea each have substantial military capabilities, and historical tensions between the two present the ongoing risk of war. Any outbreak of hostilities between the two countries could have a severe adverse effect on the South Korean economy and its securities markets.

## **Risks of Investing in Taiwan**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as Taiwan are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Lack of Natural Resources Risk.* Taiwan is a small island state with few raw material resources and limited land area and is reliant on imports for its commodity needs. Any fluctuations or shortages in the commodity markets could have a negative impact on the Taiwanese economy.

*Geographic Risk.* Taiwan is located in a part of the world that has historically been prone to natural disasters such as earthquakes, drought and flooding and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Taiwanese economy.

*Trading Partners Risk.* The Taiwanese economy is dependent on the economies of Asia, mainly those of Japan and China, and the U.S. as key trading partners. Reduction in spending by any of these economies on Taiwanese products and services or negative changes in any of these economies may cause an adverse impact on the Taiwanese economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Taiwanese economy.
- *U.S. Economic Risk.* The U.S. is a large trade and investment partner of Taiwan. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Taiwanese economy.

*Labor Risk.* Rising labor costs and increasing environmental consciousness have led some labor-intensive industries to relocate to countries with cheaper work forces, and continued labor outsourcing may adversely affect the Taiwanese economy.

*Political Risk.* Although Taiwan claims independence from the People's Republic of China, the U.S. and many prominent nations formally recognize the "one China" view. The U.S. ceased to recognize Taiwan as an independent nation on January 1, 1979 and only approximately twenty-five nations currently recognize its independence. Although Taiwan has a well established government, military and economic superstructure, the uncertainty with which it is recognized internationally could materially impact the Taiwanese economy and securities market.

*Security Risk.* Taiwan's size and geographic proximity to the People's Republic of China and its history of political contention with China, which regards Taiwan as a renegade province, have resulted in ongoing tensions with China, including the continual risk of war with China. These tensions may materially impact the Taiwanese economy and securities markets.

## **Risks of Investing in Thailand**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as Thailand are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Geographic Risk.* Thailand is located in a part of the world that has historically been prone to natural disasters such as flooding and drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Thai economy.

*Trading Partners Risk.* The Thai economy is dependent on the economies of the U.S., Asia and Europe as key trading partners. Reduction in spending by any of these economies on Thai products and services or negative changes in any of these economies may cause an adverse impact on the Thai economy:

- *U.S. Economic Risk.* The U.S. is Thailand's largest export market and a key supplier, after Japan and China. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Thai economy.
- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region

as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Thai economy.

- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with Thailand. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Thailand.

*Political Risk.* Thailand has at times been destabilized by frequent government turnover and significant political changes, including military coups. Recurrence of these conditions, unanticipated or sudden changes in the political structure or other Thai political events may result in sudden and significant investment losses.

### **Risks of Investing in Vietnam**

The following risks apply to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, the IQ Asian Tigers Small Cap ETF and the IQ Emerging Markets Mid Cap ETF.

*Emerging Markets Risk.* Investments in emerging markets such as Vietnam are subject to a greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in developed markets.

*Geographic Risk.* Vietnam is located in a part of the world that has historically been prone to natural disasters such as flooding and drought and is economically sensitive to environmental events. Any such event could result in a significant adverse impact on the Vietnamese economy.

*Trading Partners Risk.* The Vietnamese economy is dependent on the economies of Asia, the U.S., and Europe as key trading partners. Reduction in spending by any of these economies on Vietnamese products and services or negative changes in any of these economies may cause an adverse impact on the Vietnamese economy:

- *Asian Economic Risk.* Certain Asian economies experience over-extension of credit, currency devaluations and restrictions, rising unemployment, high inflation, decreased exports and economic recessions. Economic events in any one country can have a significant effect on the entire Asian region as well as on major trading partners outside Asia and any adverse event in the Asian markets may have a significant adverse effect on the Vietnamese economy.
- *U.S. Economic Risk.* The U.S. is a large export market for Vietnamese goods. Decreasing U.S. imports, new trade regulations, changes in the U.S. dollar exchange rates or a recession in the U.S. may have an adverse impact on the Vietnamese economy.
- *European Economic Risk.* Decreasing European imports or exports, changes in European governmental regulations on trade, changes in the exchange rate of the Euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trade with Vietnam. The economic and monetary union of the EU requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect every country in Europe and may impact trade with Vietnam.

*Political Risk.* There are certain political risks associated with investing in Vietnam, such as the expropriation and/or nationalization of assets, restrictions on and government intervention in international trade, confiscatory taxation, political instability, including authoritarian and/or military involvement in governmental decision making, armed conflict, the impact on the economy as a result of civil war, and social instability as a result of religious, ethnic and/or socioeconomic unrest. These events may result in sudden and significant investment losses.

*Government Market Regulations.* Current regulations in Vietnam require the Fund to execute trades of securities of Vietnamese companies through a single broker. As a result, the Adviser will have less flexibility to choose among brokers on behalf of the Fund than is typically the case for investment managers. The government in Vietnam may restrict or control to varying degrees the ability of foreign investors to invest in securities of issuers located or operating in Vietnam. These restrictions and/or controls may at times limit or prevent foreign investment in securities of issuers located or operating in Vietnam. Moreover, Vietnam may require governmental approval or special licenses prior to investments by foreign investors and may limit the amount of investments by foreign investors in a particular industry and/or issuer and may limit such foreign investment to a certain class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of Vietnam and/or impose additional taxes on foreign investors. These factors, among others, make investing in issuers located or operating in Vietnam significantly riskier than investing in issuers located or operating in more developed countries, and any one of them could cause a decline in the value of the Fund's Shares.

### **Small Capitalization Companies Risk**

The following risk applies to the IQ Mexico Small Cap ETF, IQ Asian Tigers Small Cap ETF, IQ Asia Pacific ex-Japan Small Cap ETF, IQ Global Precious Metals Small Cap ETF and IQ U.S. Real Estate Small Cap ETF.

Stock prices of small capitalization companies may be more volatile than those of larger companies. Stock prices of small capitalization companies are also more vulnerable than those of large capitalization companies to adverse business and economic developments, and the stocks of small capitalization companies may be thinly traded, making it difficult to buy and sell them. In addition, small capitalization companies are typically less stable financially than large capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Small capitalization companies also generally have less diverse product lines than large capitalization companies and are more susceptible to adverse developments related to their products.

### **Mid Capitalization Companies Risk**

The following risk applies to the IQ Australia Mid Cap ETF, IQ Canada Mid Cap ETF, and IQ Emerging Markets Mid Cap ETF.

Stock prices of mid capitalization companies may be more volatile than those of larger companies. Stock prices of mid capitalization companies are also more vulnerable than those of large capitalization companies to adverse business and economic developments, and the stocks of mid capitalization companies may be less liquid, making it difficult to buy and sell them. In addition, mid capitalization companies also generally have less diverse product lines than large capitalization companies and are more susceptible to adverse developments related to their products.

### **Consumer Sector Risk**

The following risk applies to the IQ Asian Tigers Consumer ETF.

The consumer sector may be strongly affected by fads, marketing campaigns and other factors affecting supply and demand, including performance of the overall domestic and international economy, interest rates, currency exchange rates, and consumer confidence. Companies in the consumer sector may be subject to severe competition, which may also have an adverse impact on their profitability. Success depends heavily on disposable household income and consumer spending. Governmental regulation affecting the use of various food additives may affect the profitability of certain companies in the consumer sector. In addition, tobacco companies in the consumer sector may be adversely affected by new laws, regulation and litigation. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace.

## **Precious Metals Sector Risk**

The following risk applies to the IQ Global Precious Metals Small Cap ETF.

Investments related to gold, silver and other precious metals are considered speculative and are affected by a variety of worldwide economic, financial and political factors. The price of gold, silver and other precious metals may fluctuate sharply over short periods of time, due to changes in inflation or expectations regarding inflation in various countries, the availability of supplies of gold, silver and other precious metals, changes in industrial and commercial demand, limited markets, fabricator demand, gold sales by governments, trade imbalances and restrictions, currency devaluation or revaluation, central banks or international agencies, investment speculation, inability to raise capital, increases in production costs, political unrest in nations where sources of precious metals are located, monetary and other economic policies of various governments and government restrictions on private ownership of gold and mining land. Markets therefore are volatile at times, and there may be sharp fluctuations in prices even during periods of rising prices. The precious metals industry can be significantly affected by events relating to international political developments, the success of exploration projects, commodity prices and tax and government regulations.

## **Relationship to Precious Metals Risk**

The following risk applies to the IQ Global Precious Metals Small Cap ETF.

The Underlying Index measures the performance of equity securities of companies engaged primarily in the gold and other precious metals mining industries. The Underlying Index does not measure the performance of direct investment in precious metals and, therefore, may not move in the same direction and to the same extent as precious metals. As a result, the Fund may under- or over-perform precious metals over the short-term or the long-term.

## **Real Estate Investment Risk**

The following risk applies to the IQ U.S. Real Estate Small Cap ETF.

The Fund invests in Real Estate Companies, which exposes investors to the risks of owning real estate directly, as well as to risks that relate specifically to the way in which Real Estate Companies are organized and operated. Real estate is highly sensitive to general and local economic conditions and developments, and characterized by intense competition and periodic overbuilding. Other related risks include:

*Concentration Risk.* Real Estate Companies may be concentrated in a limited number of properties, geographic regions, or property types.

*Volatile Rental Income Risk.* Real Estate Companies may experience a decline in rental income due to extended vacancies, limitations on rents, the failure to collect rents, or increased competition from other properties or poor management.

*Interest Rate Risk.* An increase in interest rates may result in higher costs of capital for Real Estate Companies, which could negatively impact their ability to obtain financing for real estate projects or to meet their payment obligations.

*Leverage Risk.* Real Estate Companies may use leverage, which increases investment risk and the potential for more volatility in the Fund's returns. Financial covenants related to a Real Estate Company's use of leverage may impair the ability of the Real Estate Company to operate effectively. Leverage also raises the risk that the Real Estate Company's ability to meet its debt obligations may be hampered if its properties do not generate sufficient income to meet operating expenses.

*Liquidity Risk.* Real estate is generally a less liquid asset class and thus Real Estate Companies may not be able to liquidate or modify their holdings quickly in response to changes in economic or other market conditions. There

may be less trading in Real Estate Company shares, which could lead to abrupt or erratic price fluctuations in their shares.

*Management Risk.* Real Estate Companies are highly dependent on the quality of management. In addition, transactions between Real Estate Companies and their affiliates may be subject to conflicts of interest.

*Property Risk.* Real Estate Companies may be subject to risks relating to functional obsolescence or reduced desirability of properties; extended vacancies due to economic conditions and tenant hardships; catastrophic events such as earthquakes, hurricanes, terrorist attacks, or other losses; and demographic trends.

*Regulatory Risk.* Real estate property values and income streams may be adversely affected by changes in local or national laws and regulations, including taxes, zoning, environmental, and other related areas.

*U.S. Tax Risk.* A REIT's failure to abide by U.S. federal tax requirements may cause it to be subject to federal income taxation, which would tend to impair the value of the REIT and change the characterization of the REIT's distributions. The U.S. federal tax requirement that a REIT distributes substantially all of its net income to its shareholders may result in the REIT having insufficient capital for future expenditures.

### **Foreign Securities Valuation Risk**

The following risk applies to each Fund except the IQ U.S. Real Estate Small Cap ETF.

The Funds are expected to fair value the foreign securities they hold, as events may result in the fair value of foreign securities materially changing between the close of the local exchange on which they trade and the time at which the Funds price their shares. Additionally, because foreign exchanges on which securities held by the Funds may be open on days when the Funds do not price their shares, the potential exists for the value of the securities in a Fund's portfolio to change on days when shareholders will not be able to purchase or sell the Fund's shares. 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 foreign securities markets (*i.e.*, the value of the Underlying Index is not based on fair value prices), the valuation of such Fund's NAV may deviate from the calculation of the Underlying Index.

### **Currency Risk**

The following risk applies to each Fund except the IQ U.S. Real Estate Small Cap ETF.

The Funds will invest in securities denominated in foreign currencies and much of the income received by such Funds will be in foreign currencies. Changes in currency exchange rates may negatively impact the Funds' returns. The value of the foreign currencies may be subject to a high degree of fluctuation due to changes in interest rates, the effects of monetary policies issued by the U.S., the governments issuing such foreign currencies and other foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. Therefore, the Funds' exposure to foreign currencies may result in reduced returns to the Funds. The Funds do not expect to hedge their currency risk. Moreover, the Funds may incur costs in connection with conversions between U.S. dollars and foreign currencies.

The value of foreign securities will be denominated in the foreign currency of their domicile and converted into U.S. dollars for the calculation of the Underlying Index and the Funds' NAV. To the extent the exchange rates used to calculate the Funds' NAV differ from the exchange rates used in calculating the Underlying Index, the Funds' ability to track the Underlying Index may be adversely impacted.

### **Equity Risk**

There is a risk that the value of the securities held by the Fund will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate or factors relating to specific companies in which the Fund invests. For example, an adverse event, such as an unfavorable earnings report, may depress the value of equity securities of an issuer held by the Fund; the price of

common stock of an issuer may be particularly sensitive to general movements in the stock market; or a drop in the stock market may depress the price of most or all of the common stocks and other equity securities held by the Fund. In addition, common stock of an issuer in the Fund's portfolio may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. Common stock is subordinated to preferred stocks, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stocks or debt instruments of such issuers. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

### **Risk of Investing in Depositary Receipts**

The following risk applies to each Fund except the IQ U.S. Real Estate Small Cap ETF.

The Funds may invest in listed and liquid American depositary receipts, European depositary receipts and Global depositary receipts, including listed unsponsored depositary receipts that have been in existence since 1984. Unsponsored depositary receipts may be established by a depositary without participation by the underlying issuer. Holders of an unsponsored depositary receipt generally bear all the costs associated with establishing the unsponsored depositary receipt. These investments may involve additional risks and considerations including, for example, risks related to adverse political and economic developments unique to a country or region, currency fluctuations or controls and the possibility of expropriation, nationalization or confiscatory taxation. The issuers of the securities underlying unsponsored depositary receipts are not obligated to disclose material information in the U.S. and, 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 depositary receipts. Additionally, to the extent the value of a depositary receipt held by a Fund fails to track that of the underlying security, the use of the depositary receipt may result in tracking error in such Fund.

### **Custody Risk**

The following risk applies to each Fund except the IQ U.S. Real Estate Small Cap ETF.

Custody risk refers to the risks in the process of clearing and settling trades and to the holding of securities by local banks, agents and depositories. Low trading volumes and volatile prices in less developed markets make trades harder to complete and settle, and governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. Local agents are held only to the standards of care of their local markets. The less developed a country's securities market is, the greater the likelihood of custody problems.

### **Risk of Cash Transactions**

The following risk applies to the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, and IQ Emerging Markets Mid Cap ETF (each, a "Cash Transaction Fund" and, together, the "Cash Transaction Funds").

Unlike most exchange-traded funds ("ETFs"), the Cash Transaction Funds currently intend to effect all creations and redemptions in a significant proportion for cash, rather than in-kind securities. As a result, an investment in the Cash Transaction Funds may be less tax-efficient than an investment in a Fund other than the Cash Transaction Funds or a more conventional ETF which does not intend to effect all creations and redemptions in a significant portion for cash. ETFs generally are able to make in-kind redemptions and avoid being taxed on gain on the distributed portfolio securities at the fund level.

The Cash Transaction Funds may be required to sell portfolio securities in order to obtain the cash needed to distribute redemption proceeds. If a Cash Transaction Funds recognizes gain on such sales, this generally will cause the Cash Transaction Fund to recognize gain it might not otherwise have recognized, or to recognize such gain sooner than would otherwise be required if it were to distribute portfolio securities in-kind. The Cash Transaction Funds generally intend to distribute these gains to shareholders to avoid being taxed on this gain at

the fund level and otherwise comply with the special tax rules that apply to it. This strategy may cause shareholders to be subject 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 or ETF.

Moreover, the purchase or sale of foreign securities upon a creation or to facilitate a redemption, as applicable, may have to be carried out over several days if the securities market is relatively illiquid and may involve considerable brokerage fees and taxes. These brokerage fees and taxes, which will be higher than if the Cash Transaction Funds sold and redeemed their shares principally in-kind, will be passed on to purchasers and redeemers of Creation Units in the form of Creation and Redemption Transaction Fees. Certain of the countries included in the exposure of the Cash Transaction Funds may also impose higher local tax rates on transactions involving certain companies. In addition, these factors may result in wider spreads between the bid and the offered prices of the Cash Transaction Funds' Shares than for more conventional ETFs.

### **Market Risk**

The market price of investments owned by a Fund may go up or down, sometimes rapidly or unpredictably. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets.

### **Replication Management Risk**

The following risk applies to each Fund except the IQ Emerging Markets Mid Cap ETF.

Unlike many investment companies, the Funds are not "actively" managed. Therefore, a Fund would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Fund's Underlying Index.

### **Sampling Management Risk**

The following risk applies to the IQ Emerging Markets Mid Cap ETF.

Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the Underlying Index or from the sampling strategy used to track the Underlying Index.

### **Non-Diversified Risk**

The Funds are separate investment portfolios of the Trust, which is an open-end investment company registered under the Investment Company Act of 1940 (the "1940 Act"). The Funds are classified as "non-diversified" investment companies under the 1940 Act. As a result, the Funds are subject to the risk that they will be more volatile than a diversified fund because each Fund may invest its assets in a smaller number of issuers or may invest larger proportions of its assets in a single industry within the industries that comprise its Underlying Index. As a result, the gains and losses on a single security may have a greater impact on a Fund's NAV and may make the Fund more volatile than diversified funds.

### **Concentration Risk**

To the extent that a Fund's portfolio reflects the Underlying Index's concentration in the securities or companies in a particular market, industry, group of industries, industry, country, region, group of countries, sector or asset class, the Fund may be adversely affected by the performance of those securities, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, industry, country, region, group of countries, sector or asset class.

## **New Fund Risk**

The Funds are new funds. As new funds, there can be no assurance that they will grow to or maintain an economically viable size, in which case they may experience greater tracking error to their Underlying Indexes than they otherwise would at higher asset levels or they could ultimately liquidate.

## **Trading Price Risk**

The Shares of the Funds are, or are expected to be, listed for trading on NYSE Arca and will be bought and sold in the Secondary Market at market prices. Although it is expected that generally the market price of each Fund's Shares will approximate such Fund's NAV, there may be times when the market price and the NAV vary significantly. Thus, you may pay more than NAV when you buy Shares in the Secondary Market, and you may receive less than NAV when you sell those Shares in the Secondary Market.

The market price of Shares during the trading day, like the price of any exchange-traded security, includes a "bid/ask" spread charged by the exchange specialist, market makers or other participants that trade the Shares. In times of severe market disruption, the bid/ask spread can increase significantly. At those times, Shares are most likely to be traded at a discount to NAV, and the discount is likely to be greatest when the price of Shares is falling fastest, which may be the time that you most want to sell your Shares. The Advisor believes that, under normal market conditions, large market price discounts or premiums to NAV will not be sustained because of arbitrage opportunities.

## **Management Risk**

The strategy used by the Advisor to match the performance of the Underlying Index may fail to produce the intended results.

## **ADDITIONAL INVESTMENT STRATEGIES**

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Each Fund will normally invest at least 80% of its net assets (excluding collateral held from securities lending), plus the amount of any borrowings for investment purposes, in Underlying Index Components that comprise its Underlying Index. In addition, each Fund may invest up to 20% of its net assets in securities not included in its Underlying Index, but which the Advisor believes will help the Fund track its Underlying Index. Each Fund may also invest in money market instruments, including short-term debt instruments and repurchase agreements or other funds that invest exclusively in money market instruments (subject to applicable limitations under the 1940 Act, or exemptions therefrom), rather than Underlying Index Components, when it would be more efficient or less expensive for the Fund to do so, or as cover for Financial Instruments, for liquidity purposes, or to earn interest. A Fund may invest in foreign companies, including companies in emerging markets for those Funds that include emerging markets companies as eligible Underlying Index Components, to the extent that the Underlying Index Components directly or indirectly include such companies. Similarly, a Fund (*e.g.*, the IQ U.S. Real Estate Small Cap ETF and the IQ Global Precious Metals Small Cap ETF) may also invest in U.S. companies to the extent the Underlying Index is exposed to them. Swaps and futures may be used by a Fund to seek performance that corresponds to its Underlying Index and to manage cash flows. The Advisor anticipates that it may take approximately two business days (*i.e.*, each day the NYSE Arca is open for trading) for additions and deletions to a Fund's Underlying Index to be reflected in the portfolio composition of that Fund.

IndexIQ determines the "domicile" of each Underlying Index Component, as applicable, by using data provided by an unaffiliated third-party data service, which, in turn, uses the following criteria to determine a company's domicile:

- the country where the company is incorporated;
- the country where the company is headquartered;
- the country where the company has a majority of its operations;

- the country where the company generates the largest proportion of its sales; and
- the country where the company's shares are traded in the most liquid manner.

Each of the policies described herein, including the investment objective of each Fund, constitutes a non-fundamental policy that may be changed by the Board of Trustees of the Trust without shareholder approval. Certain fundamental policies of the Funds are set forth in the Funds' Statement of Additional Information (the "SAI") under "Investment Restrictions."

### **Securities Lending**

The Funds may lend their portfolio securities. In connection with such loans, the Funds receive liquid collateral equal to at least 102% of the value of the portfolio securities being lent. This collateral is marked to market on a daily basis.

## **ADDITIONAL RISKS**

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### **Trading Issues**

Trading in Shares on the NYSE Arca may be halted due to market conditions or for reasons that, in the view of the NYSE Arca, make trading in Shares inadvisable. In addition, trading in Shares on the NYSE Arca is subject to trading halts caused by extraordinary market volatility pursuant to the NYSE Arca "circuit breaker" rules. There can be no assurance that the requirements of the NYSE Arca necessary to maintain the listing of a Fund will continue to be met or will remain unchanged. Foreign exchanges may be open on days when Shares are not priced, and therefore, the value of the securities in a Fund's portfolio may change on days when shareholders will not be able to purchase or sell Shares.

### **Fluctuation of Net Asset Value**

The NAV of a Fund's Shares will generally fluctuate with changes in the market value of the Fund's holdings. The market prices of the Shares will generally fluctuate in accordance with changes in NAV as well as the relative supply of and demand for the Shares on the NYSE Arca. The Advisor cannot predict whether the Shares will trade below, at or above their NAV. Price differences may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for the Shares will be closely related to, but not identical to, the same forces influencing the prices of the securities of a Fund's Underlying Index trading individually or in the aggregate at any point in time. If an investor purchases Shares at a time when the market price is at a premium to the NAV of the Shares or sells at a time when the market price is at a discount to the NAV of the Shares, then the investor may sustain losses. However, given that the Shares can be purchased and redeemed in Creation Units (unlike shares of closed-end funds, which frequently trade at appreciable discounts from, and sometimes at premiums to, their NAV), the Advisor believes that large discounts or premiums to the NAV of the Shares should not be sustained.

### **Tax Risk**

The tax treatment of derivatives is unclear for purposes of determining a Fund's tax status. In addition, a Fund's transactions in derivatives may result in the Fund realizing more short-term capital gains and ordinary income that are subject to higher ordinary income tax rates than if it did not engage in such transactions.

### **Securities Lending**

Although each Fund will receive collateral in connection with all loans of its securities holdings, a Fund would be exposed to a risk of loss should a borrower default on its obligation to return the borrowed securities (e.g., the loaned securities may have appreciated beyond the value of the collateral held by the Fund). In addition, a Fund will bear the risk of loss of any cash collateral that it invests.

## **Shares are not Individually Redeemable**

Shares may be redeemed by the Funds only in large blocks known as “Creation Units” which are expected to be worth in excess of one million dollars each. The Funds may not redeem Shares in fractional Creation Units. Only certain large institutions that enter into agreements with the Distributor are authorized to transact in Creation Units with the Funds. These entities are referred to as “Authorized Participants.” All other persons or entities transacting in Shares must do so in the Secondary Market.

## **Absence of Prior Active Market**

Although the Shares are approved for listing on the NYSE Arca, there can be no assurance that an active trading market will develop and be maintained for the Shares. As a new fund, there can be no assurance that a Fund will grow to or maintain an economically viable size, in which case the Fund may experience greater tracking error to the Underlying Index than it otherwise would at higher asset levels, or the Fund may ultimately liquidate.

Please refer to the SAI for a more complete discussion of the risks of investing in Shares.

## **CONTINUOUS OFFERING**

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The method by which Creation Units are purchased and traded may raise certain issues under applicable securities laws. Because new Creation Units are issued and sold by the Funds 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 individual 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 categorization as an underwriter.

Broker-dealer firms should also note that dealers who are not “underwriters” but are effecting transactions in Shares, whether or not participating in the distribution of Shares, are generally required to deliver a prospectus. This is because the prospectus delivery exemption in Section 4(3) of the Securities Act is not available with respect to 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 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 of a Fund 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 NYSE Arca is satisfied by the fact that such Fund’s prospectus is available at the NYSE Arca upon request. The prospectus delivery mechanism provided in Rule 153 is only available with respect to transactions on an exchange.

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

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The Funds issue and redeem Shares only in bundles of a specified number of Shares. These bundles are known as “Creation Units.” For each Fund, a Creation Unit is comprised of 50,000 Shares. The number of Shares in a Creation Unit will not change, except in the event of a share split, reverse split or similar revaluation. The Funds may not issue fractional Creation Units. To purchase or redeem a Creation Unit, you must be an Authorized Participant or you must do so through a broker, dealer, bank or other entity that is an Authorized Participant. An Authorized Participant is either (1) a “Participating Party,” *i.e.*, a broker-dealer or other participant in the clearing process of the Continuous Net Settlement System of the NSCC (the “Clearing Process”), or (2) a participant of

DTC (a “DTC Participant”), and, in each case, must have executed an agreement with the Distributor with respect to creations and redemptions of Creation Units (a “Participation Agreement”). Because Creation Units cost over one million dollars each, it is expected that only large institutional investors will purchase and redeem Shares directly from the Funds in the form of Creation Units. In turn, it is expected that institutional investors who purchase Creation Units will break up their Creation Units and offer and sell individual Shares in the Secondary Market.

Retail investors may acquire Shares in the Secondary Market (not from the Funds) through a broker or dealer. Shares are listed on the NYSE Arca and are publicly traded. For information about acquiring Shares in the Secondary Market, please contact your broker or dealer. If you want to sell Shares in the Secondary Market, you must do so through your broker or dealer.

When you buy or sell Shares in the Secondary Market, your broker or dealer may charge you a commission, market premium or discount or other transaction charge, and you may pay some or all of the spread between the bid and the offered price for each purchase or sale transaction. Unless imposed by your broker or dealer, there is no minimum dollar amount you must invest and no minimum number of Shares you must buy in the Secondary Market. In addition, because transactions in the Secondary Market occur at market prices, you may pay more than NAV when you buy Shares and receive less than NAV when you sell those Shares.

The creation and redemption processes discussed above is summarized, and such summary only applies to shareholders who purchase or redeem Creation Units (they do not relate to shareholders who purchase or sell Shares in the Secondary Market). Authorized Participants should refer to their Participant Agreements for the precise instructions that must be followed in order to create or redeem Creation Units.

## **BUYING AND SELLING SHARES IN THE SECONDARY MARKET**

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Most investors will buy and sell Shares of each Fund in Secondary Market transactions through brokers. Shares of each Fund will be listed for trading on the Secondary Market on the NYSE Arca. Shares can be bought and sold throughout the trading day like other publicly-traded shares. There is no minimum investment. Although Shares are generally purchased and sold in “round lots” of 100 Shares, brokerage firms typically permit investors to purchase or sell Shares in smaller “odd lots” at no per-Share price differential. When buying or selling Shares through a broker, you will incur customary brokerage commissions and charges, and you may pay some or all of the spread between the bid and the offered price in the Secondary Market on each leg of a round trip (purchase and sale) transaction.

Share prices are reported in dollars and cents per Share. For information about buying and selling Shares in the Secondary Market, please contact your broker or dealer.

### **Book Entry**

Shares of each Fund are held in book-entry form and no stock certificates are issued. DTC, through its nominee Cede & Co., is the record owner of all outstanding Shares.

Investors owning Shares are beneficial owners as shown on the records of DTC or its participants. DTC serves as the securities depository for all Shares. Participants in DTC include securities brokers and dealers, banks, trust companies, clearing corporations and other institutions that directly or indirectly maintain a custodial relationship with DTC. As a beneficial owner of Shares, you are not entitled to receive physical delivery of stock certificates or to have Shares registered in your name, and you are not considered a registered owner of Shares. Therefore, to exercise any right as an owner of Shares, you must rely upon the procedures of DTC and its participants.

These procedures are the same as those that apply to any securities that you hold in book-entry or “street name” form for any publicly-traded company. Specifically, in the case of a shareholder meeting of a Fund, DTC assigns applicable Cede & Co. voting rights to its participants that have Shares credited to their accounts on the record date, issues an omnibus proxy and forwards the omnibus proxy to the Fund. The omnibus proxy transfers the voting authority from Cede & Co. to the DTC participant. This gives the DTC participant through whom you own

Shares (namely, your broker, dealer, bank, trust company or other nominee) authority to vote the shares, and, in turn, the DTC participant is obligated to follow the voting instructions you provide.

## MANAGEMENT

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The Board of Trustees of the Trust is responsible for the general supervision of the Funds. The Board of Trustees appoints officers who are responsible for the day-to-day operations of the Funds.

### Investment Advisor

The Advisor has been registered as an investment advisor with the SEC since August 2007, has provided investment advisory services to registered investment companies since June 2008, and is a wholly-owned indirect subsidiary of Financial Development Holdco LLC, d/b/a "IndexIQ." The Advisor's principal office is at 800 Westchester Avenue, Suite N-611, Rye Brook, New York 10573. As of June 30, 2012, the Advisor had approximately \$760 million in assets under management.

The Advisor has overall responsibility for the general management and administration of the Trust. The Advisor provides an investment program for the Funds. The Advisor has arranged for custody, fund administration, transfer agency and all other non-distribution related services necessary for the Funds to operate.

As compensation for its services and its assumption of certain expenses, each Fund pays the Advisor a management fee equal to a percentage of a Fund's average daily net assets that is calculated daily and paid monthly, as follows:

<u>Fund Name</u>	<u>Management Fee</u>
IQ Mexico Small Cap ETF	0.69%
IQ Asian Tigers ETF	0.79%
IQ Asian Tigers Consumer ETF	0.79%
IQ Asian Tigers Small Cap ETF	0.79%
IQ Asia Pacific ex-Japan Small Cap ETF	0.69%
IQ Australia Mid Cap ETF	0.69%
IQ Canada Mid Cap ETF	0.69%
IQ Emerging Markets Mid Cap ETF	0.75%
IQ Global Precious Metals Small Cap ETF	0.69%
IQ U.S. Real Estate Small Cap ETF	0.69%

The Advisor may voluntarily waive any portion of its advisory fee from time to time, and may discontinue or modify any such voluntary limitations in the future at its discretion.

The Advisor serves as advisor to each Fund pursuant to an Investment Advisory Agreement (the "Advisory Agreement"). The Advisory Agreement was approved by the Independent Trustees of the Trust at its annual meeting. The basis for the Trustees' approval of the Advisory Agreement is available in the Trust's Annual Report for the period ended April 30, 2012.

Under the Advisory Agreement, the Advisor agrees to pay all expenses of the Trust, except brokerage and other transaction expenses including taxes; extraordinary legal fees or expenses, such as those for litigation or arbitration; compensation and expenses of the Independent Trustees, counsel to the Independent Trustees, and the Trust's chief compliance officer; extraordinary expenses; distribution fees and expenses paid by the Trust under any distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act; and the advisory fee payable to the Advisor hereunder.

The Advisor and its affiliates deal, trade and invest for their own accounts in the types of securities in which the Funds also may invest. The Advisor does not use inside information in making investment decisions on behalf of the Funds.

## **Portfolio Management**

The Advisor acts as portfolio manager for the Funds. The Advisor will supervise and manage the investment portfolios of the Funds covered and will direct the purchase and sale of such Funds' investment securities. The Advisor utilizes a team of investment professionals acting together to manage the assets of the Funds. The teams meet regularly to review portfolio holdings and to discuss purchase and sale activity. The teams adjust holdings in the portfolio as they deem appropriate in the pursuit of each Fund's investment objective.

The lead portfolio manager for the Funds and the primary person responsible for the day-to-day management of the Funds' portfolios is Julie Abbett, Senior Vice President and Head of Portfolio Management of the Advisor. Ms. Abbett has been with the Advisor in September 2009. Prior to joining IndexIQ, she was a Portfolio Manager at Deutsche Asset Management (DeAM)/DB Advisors for over nine years. She was a Director and Portfolio Manager for various U.S. and Global strategies, which included the DWS Disciplined Market Neutral Fund, the DWS Blue Chip Fund, both the DWS Disciplined Long Short Growth and Value Funds, as well as a number of other institutional and sub-advised funds. Before joining DeAM/DB Advisors, Ms. Abbett worked for FactSet Research Systems, Inc. as a Product Developer and at BARRA, Inc. as a Senior Consultant. Ms. Abbett graduated with a BA from the University of Connecticut and an MBA from the New York University Leonard N. Stern School of Business.

For more information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Funds, see the SAI.

## **OTHER SERVICE PROVIDERS**

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### **Index Provider**

Financial Development HoldCo LLC ("IndexIQ") is the index provider for each Fund. IndexIQ was formed as a Delaware limited liability company on June 15, 2007 and is in the business of developing and maintaining financial indexes, including the Underlying Indexes. Presently, IndexIQ has developed and is maintaining a number of indexes in addition to the Underlying Indexes, of which two are currently being used by a registered investment company. 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 pays licensing fees to IndexIQ from the Advisor's management fees or other resources. The Advisor has, in turn, entered into a sub-licensing 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.

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

The Bank of New York Mellon ("BNY Mellon"), located at One Wall Street, New York, New York 10286, serves as the Funds' Administrator, Custodian, Transfer Agent and Securities Lending Agent.

### **Distributor**

ALPS Distributors, Inc., 1290 Broadway, Suite 1100, Denver, Colorado 80203 serves as the Distributor of Creation Units for the Funds on an agency basis. The Distributor does not maintain a Secondary Market in Shares.

## **Independent Registered Public Accounting Firm**

Ernst & Young LLP, 5 Times Square, New York, New York 10036, serves as the independent registered public accounting firm for the Trust.

## **Legal Counsel**

Katten Muchin Rosenman LLP, 575 Madison Avenue, New York, New York 10022, serves as counsel to the Trust.

## **FREQUENT TRADING**

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The Trust's Board of Trustees has not adopted policies and procedures with respect to frequent purchases and redemptions of Fund Shares by Fund shareholders ("market timing"). In determining not to adopt market timing policies and procedures, the Board noted that the Funds are expected to be attractive to active institutional and retail investors interested in buying and selling Fund Shares on a short-term basis. In addition, the Board considered that, unlike traditional mutual funds, a Fund's Shares can only be purchased and redeemed directly from the Fund in Creation Units by Authorized Participants, and that the vast majority of trading in a Fund's Shares occurs on the Secondary Market. Because Secondary Market trades do not involve a Fund directly, it is unlikely those trades would cause many of the harmful effects of market timing, including dilution, disruption of portfolio management, increases in a Fund's trading costs and the realization of capital gains. With respect to trades directly with the Funds, to the extent effected in-kind (namely, for securities), those trades do not cause any of the harmful effects that may result from frequent cash trades. To the extent trades are effected in whole or in part in cash, the Board noted that those trades could result in dilution to a Fund and increased transaction costs (a Fund may impose higher transaction fees to offset these increased costs), which could negatively impact the Fund's ability to achieve its investment objective. However, the Board noted that direct trading on a short-term basis by Authorized Participants is critical to ensuring that a Fund's Shares trade at or close to NAV. Given this structure, the Board determined that it is not necessary to adopt market timing policies and procedures. Each Fund reserves the right to reject any purchase order at any time and reserves the right to impose restrictions on disruptive or excessive trading in Creation Units.

The Board of Trustees has instructed the officers of the Trust to review reports of purchases and redemptions of Creation Units on a regular basis to determine if there is any unusual trading in the Funds. The officers of the Trust will report to the Board any such unusual trading in Creation Units that is disruptive to the Funds. In such event, the Board may reconsider its decision not to adopt market timing policies and procedures.

## **SERVICE AND DISTRIBUTION PLAN**

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The Board of Trustees of the Trust has adopted a Distribution and Service Plan pursuant to Rule 12b-1 under the 1940 Act. In accordance with its Rule 12b-1 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.

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.

## **DETERMINATION OF NET ASSET VALUE (NAV)**

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The NAV of the Shares for a Fund is equal to the Fund's total assets minus the Fund's total liabilities divided by the total number of Shares outstanding. Interest and investment income on the Trust's assets accrue daily and are included in the Fund's total assets. Expenses and fees (including investment advisory, management,

administration and distribution fees, if any) accrue daily and are included in the Fund's total liabilities. The NAV that is published is rounded to the nearest cent; however, for purposes of determining the price of Creation Units, the NAV is calculated to five decimal places.

In calculating NAV, each Fund's investments are valued using market quotations when available. When market quotations are not readily available, are deemed unreliable or do not reflect material events occurring between the close of local markets and the time of valuation, investments are valued using fair value pricing as determined in good faith by the Advisor under procedures established by and under the general supervision and responsibility of the Trust's Board of Trustees. Investments that may be valued using fair value pricing include, but are not limited to: (1) securities that are not actively traded, including "restricted" securities and securities received in private placements for which there is no public market; (2) securities of an issuer that becomes bankrupt or enters into a restructuring; (3) securities whose trading has been halted or suspended; and (4) foreign securities traded on exchanges that close before a Fund's NAV is calculated. Each of the IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, IQ Asia Pacific ex-Japan Small Cap ETF, IQ Australia Mid Cap ETF, IQ Emerging Markets Mid Cap ETF and IQ Global Precious Metals Small Cap ETF hold foreign securities that trade on exchanges that close before such Fund's NAV is calculated.

The frequency with which each Fund's investments are valued using fair value pricing is primarily a function of the types of securities and other assets in which the respective Fund invests pursuant to its investment objective, strategies and limitations. If the Funds invest in other open-end management investment companies registered under the 1940 Act, they may rely on the net asset values of those companies to value the shares they hold of them. Those companies may also use fair value pricing under some circumstances.

Valuing the Funds' investments using fair value pricing results in using prices for those investments that may differ from current market valuations. Accordingly, fair value pricing could result in a difference between the prices used to calculate NAV and the prices used to determine a Fund's Indicative Intra-Day Value ("IIV"), which could result in the market prices for Shares deviating from NAV.

The NAV is calculated by the Administrator and Custodian and determined each Business Day as of the close of regular trading on the NYSE Arca (ordinarily 4:00 p.m. New York time).

## INDICATIVE INTRA-DAY VALUE

The approximate value of each Fund's investments on a per-Share basis, the Indicative Intra-Day Value, or IIV, is disseminated by the NYSE Arca every 15 seconds during hours of trading on the NYSE Arca. The IIV should not be viewed as a "real-time" update of NAV because the IIV may not be calculated in the same manner as NAV, which is computed once per day.

An independent third party calculator calculates the IIV for each Fund during hours of trading on the NYSE Arca by dividing the "Estimated Fund Value" as of the time of the calculation by the total number of outstanding Shares of that Fund. "Estimated Fund Value" is the sum of the estimated amount of cash held in a Fund's portfolio, the estimated amount of accrued interest owed to the Fund and the estimated value of the securities held in the Fund's portfolio, minus the estimated amount of the Fund's liabilities. The IIV will be calculated based on the same portfolio holdings disclosed on the Trust's website.

The Funds provide the independent third party calculator with information to calculate the IIV, but the Funds are not involved in the actual calculation of the IIV and are not responsible for the calculation or dissemination of the IIV. The Funds make no warranty as to the accuracy of the IIV.

## DIVIDENDS, DISTRIBUTIONS AND TAXES

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### **Net Investment Income and Capital Gains**

As a Fund shareholder, you are entitled to your share of the Fund's distributions of net investment income and net realized capital gains on its investments. The Funds pay out substantially all of their net earnings to their shareholders as "distributions."

The Funds typically earn income dividends from stocks and interest from debt securities. These amounts, net of expenses, are typically passed along to Fund shareholders as dividends from net investment income. The Funds realize capital gains or losses whenever they sell securities. Net capital gains are distributed to shareholders as "capital gain distributions."

Net investment income and net capital gains are typically distributed to shareholders at least annually. Dividends may be declared and paid more frequently to improve index tracking or to comply with the distribution requirements of the Internal Revenue Code (the "Code"). In addition, the Funds may determine to distribute at least annually amounts representing the full dividend yield net of expenses on the underlying investment securities, as if the Funds owned the underlying investment securities for the entire dividend period in which case some portion of each distribution may result in a return of capital. You will be notified regarding the portion of the distribution that represents a return of capital.

Distributions in cash may be reinvested automatically in additional Shares of your Fund only if the broker through which you purchased Shares makes such option available.

### **Federal Income Taxes**

The following is a summary of the material U.S. federal income tax considerations applicable to an investment in Shares of a Fund. The summary is based on the laws in effect on the date of this Prospectus and existing judicial and administrative interpretations thereof, all of which are subject to change, possibly with retroactive effect. In addition, this summary assumes that a Fund shareholder holds Shares as capital assets within the meaning of the Code and does 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 of a Fund, to Fund shareholders holding Shares through a partnership (or other pass-through entity) or to Fund shareholders subject to special tax rules. Prospective Fund shareholders are urged to consult their own tax advisors with respect to the specific federal, state, local and foreign tax consequences of investing in Fund shares.

The Funds have not requested and will not request an advance ruling from the Internal Revenue Service (the "IRS") as to the 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 advisors with regard to the federal tax consequences of the purchase, ownership or disposition of Shares, as well as the tax consequences arising under the laws of any state, foreign country or other taxing jurisdiction.

### **Tax Treatment of a Fund**

Each Fund intends to qualify and elect to be treated as a separate "regulated investment company" under the Code. To qualify and maintain its tax status as a regulated investment company, each Fund must meet annually certain income and asset diversification requirements and must distribute annually at least 90% of its "investment company taxable income" (which includes dividends, interest and net short-term capital gains).

As a regulated investment company, a Fund generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that it distributes to its shareholders. If a Fund fails to qualify as a regulated investment company for any year, (subject to certain curative measures allowed by the Code) the Fund will be subject to regular corporate-level income tax in that year on all of its taxable income, regardless of whether the Fund makes any distributions to its shareholders. In addition, 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.

A Fund may be required to recognize taxable income in advance of receiving the related cash payment. For example, if a Fund invests in original issue discount obligations (such as zero coupon debt instruments or debt instruments with payment-in-kind interest), the Fund will be required to include in income each year a portion of the original issue discount that accrues over the term of the obligation, even if the related cash payment is not received by the Fund until a later year. Under the “wash sale” rules, a Fund may not be able to deduct a loss on a disposition of a portfolio security against a prior gain from a substantially similar portfolio security. As a result, the 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 cash assets of the Fund or by selling portfolio securities. The Fund may realize gains or losses from such sales, in which event its shareholders may receive a larger capital gain distribution than they would in the absence of such transactions.

A Fund will be subject to a 4% excise tax on certain undistributed income if the Fund does not distribute to its shareholders in each calendar year at least 98% of its ordinary income for the calendar year plus 98.2% of its capital gain net income for the twelve months ended October 31 of such year. Each Fund intends to make distributions necessary to avoid the 4% excise tax.

### **Tax Treatment of Fund Shareholders**

*Fund Distributions.* In general, Fund distributions are subject to federal income tax when paid, regardless of whether they consist of cash or property or 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 (except, as discussed below, qualifying dividend income) and net short-term capital gains are taxable as ordinary income to the extent of the Fund’s current or accumulated earnings and profits. Distributions of a Fund’s net long-term capital gains in excess of net short-term capital losses are taxable as long-term capital gain to the extent of the Fund’s current or accumulated earnings and profits, regardless of a Fund shareholder’s holding period in the Fund’s Shares. Distributions of qualifying dividend income are taxable as long-term capital gain to the extent of the Fund’s current or accumulated earnings and profits, provided that the Fund shareholder meets 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 its dividend-paying stocks.

Each Fund intends to distribute its long-term capital gains 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 long-term capital gains and designate the retained amount as a “deemed distribution.” In that event, the Fund pays income tax on the retained long-term capital gain, and each Fund shareholder recognizes a proportionate share of the Fund’s undistributed long-term capital gain. In addition, each Fund shareholder can claim a refundable tax credit for the shareholder’s proportionate share of the Fund’s income taxes paid on the undistributed long-term capital gain and increase the tax basis of the Shares by an amount equal to shareholder’s proportionate share of the Fund’s undistributed long-term capital gains, reduced by the amount of the shareholder’s tax credit.

Long-term capital gains of non-corporate Fund shareholders (i.e., individuals, trusts and estates) are taxed at a maximum rate of 15% for taxable years that begin on or before December 31, 2012. In addition, for those taxable years, Fund distributions of qualifying dividend income to non-corporate Fund shareholders qualify for taxation at long-term capital gain rates. Under current law, the taxation of qualifying dividend income at long-term capital gain rates will no longer apply for taxable years beginning after December 31, 2012.

In addition, recent legislation effective after December 31, 2012, if applicable to a Fund Shareholder, will impose a new 3.8 percent Medicare contribution tax on net investment income. Please consult your tax advisor regarding this tax.

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).

*Sales of Shares.* Any capital gain or loss realized upon a sale of Shares is treated generally 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 of Shares held for one year or less is generally 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 with respect to the Shares.

*Creation Unit Issues and Redemptions.* On an issue of Shares of a Fund as part of a Creation Unit, an Authorized Participant recognizes capital gain or loss 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, an Authorized Participant recognizes capital gain or loss 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 Internal Revenue Service (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 creation 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 with respect to such Shares.

*Back-Up Withholding.* A Fund may be required to report certain information on a Fund shareholder to the IRS and withhold federal income tax ("backup withholding") at a 28% rate from all taxable distributions and redemption proceeds payable to the Fund shareholder if the Fund shareholder fails to provide the Fund with a correct taxpayer identification number (or, in the case of a U.S. individual, a social security number) or a completed exemption certificate (e.g., an IRS Form W-8BEN in the case of a foreign Fund shareholder) or if the IRS notifies the Fund that the Fund shareholder is otherwise subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be credited against a Fund shareholder's federal income tax liability.

*Special Issues for Foreign Shareholders.* If a Fund shareholder is not a U.S. citizen or resident or if a Fund shareholder is a foreign entity, the Fund's ordinary income dividends (including distributions of net short-term capital gains and other amounts that would not be subject to U.S. withholding tax if paid directly to foreign Fund shareholders) will be subject, in general, to withholding tax at a rate of 30% (or at a lower rate established under an applicable tax treaty). However, for Fund tax years that began on or before December 31, 2011, interest-related dividends and short-term capital gain dividends generally will not be subject to withholding tax; provided that the foreign shareholder furnishes the Fund with a completed IRS Form W-8BEN (or acceptable substitute documentation) establishing the Fund shareholder's status as foreign and that the Fund does not have actual knowledge or reason to know that the foreign Fund shareholder would be subject to withholding tax if the foreign shareholder were to receive the related amounts directly rather than as dividends from the Fund. It is unknown as of now, whether or not these special rules, which have currently expired, will be extended.

Recently enacted legislation, will subject foreign shareholders to U.S. withholding tax of 30% on all U.S. source income (including all dividends from the Fund) beginning in 2014, and gross proceeds from the sale of U.S. stocks and securities (including the sale of Fund shares) beginning in 2015, unless they comply with certain newly-enacted reporting requirements. Complying with such requirements will require the shareholder, beginning in 2013, to provide and certify certain information about itself and (where applicable) its beneficial owners, and foreign financial institutions generally will be required to enter in an agreement with the U.S. Internal Revenue Service to provide it with certain information regarding such shareholder's account holders. Please consult your tax advisor regarding this tax.

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 back-up withholding, a foreign shareholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the foreign shareholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. income tax return.

For a more detailed tax discussion regarding an investment in the Funds, and for special tax treatment on the sale and distribution by certain funds, please see the section of the SAI entitled "Taxation."

## CODE OF ETHICS

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The Trust, the Advisor, and the Distributor each have adopted a code of ethics under Rule 17j-1 of the 1940 Act that is designed to prevent affiliated persons of the Trust, the Advisor, and the Distributor from engaging in deceptive, manipulative or fraudulent activities in connection with securities held or to be acquired by the Funds (which may also be held by persons subject to a code). There can be no assurance that the codes will be effective in preventing such activities. The codes permit personnel subject to them to invest in securities, including securities that may be held or purchased by the Funds. The codes are on file with the SEC and are available to the public.

## FUND WEBSITE AND DISCLOSURE OF PORTFOLIO HOLDINGS

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The Advisor maintains a website for the Funds at [www.indexiq.com](http://www.indexiq.com). The website for the Funds contains the following information, on a per-Share basis, for each Fund: (1) the prior Business Day's NAV; (2) the reported mid-point of the bid-ask spread at the time of NAV calculation (the "Bid-Ask Price"); (3) a calculation of the premium or discount of the Bid-Ask Price against such NAV; and (4) data in chart format displaying the frequency distribution of discounts and premiums of the Bid-Ask Price against the NAV, within appropriate ranges, for each of the four previous calendar quarters (or for the life of a Fund if, shorter). In addition, on each Business Day, before the commencement of trading in Shares on the NYSE Arca, each Fund will disclose on its website ([www.indexiq.com](http://www.indexiq.com)) the identities and quantities of the portfolio securities and other assets held by each Fund that will form the basis for the calculation of NAV at the end of the Business Day.

A description of each Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the SAI.

## OTHER INFORMATION

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The Funds are not sponsored, endorsed, sold or promoted by the NYSE Arca. The NYSE Arca 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 objectives. The NYSE Arca 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 Section 3(c)(1) or 3(c)(7) of the 1940 Act is subject to the restrictions of Section 12(d)(1) of the 1940 Act, except as permitted by an exemptive order that permits registered investment companies to invest in the Funds beyond those limitations.

## FINANCIAL HIGHLIGHTS

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The financial highlights table is intended to help you understand the financial performance of the Funds since their inception. The total return in the table represents the rate an investor would have earned (or lost) on an investment in the respective Fund (assuming reinvestment of dividends and distributions). The information for IQ U.S. Real Estate Small Cap ETF and IQ Emerging Markets Mid Cap ETF has been derived from the financial statements audited by Ernst & Young LLP, the independent registered public accounting firm, whose report, along with the Funds' financial statements, are included in the Funds' Annual Report, which is available upon request. Financial Highlights are not presented for the IQ Mexico Small Cap ETF, IQ Asian Tigers ETF, IQ Asian Tigers Consumer ETF, IQ Asian Tigers Small Cap ETF, IQ Asia Pacific ex-Japan Small Cap ETF, IQ Australia Mid Cap ETF, IQ Canada Mid Cap ETF and IQ Global Precious Metals Small Cap ETF since the Funds did not commence operations and therefore such information was not included in the Annual Report.

## Financial Highlights

### Selected Data for a Share of Capital Stock Outstanding

	<b>IQ US Real Estate Small Cap ETF</b>	<b>IQ Emerging Markets Mid Cap ETF</b>
	For the Period June 13, 2011 <sup>1</sup> to April 30, 2012	For the Period July 12, 2011 <sup>1</sup> to April 30, 2012
Net asset value, beginning of period	\$ 19.91	\$ 19.67
<b>Income from Investment Operations</b>		
Net investment income <sup>2</sup>	0.73	0.21
Net realized and unrealized gain (loss) on investments	0.37	(2.95)
Net increase (decrease) in net assets resulting from investment operations	1.10	(2.74)
<b>Distributions from:</b>		
Net investment income	(0.59)	(0.23)
Net realized gains	—	—
Total distributions from net investment income and realized gains	(0.59)	(0.23)
Net asset value, end of period	\$ 20.42	\$ 16.70
<b>Total Return</b>		
Total investment return based on net asset value <sup>3</sup>	6.05%	(13.74)%
<b>Ratios/Supplemental Data</b>		
Net assets, end of period (000's omitted)	\$ 32,669	\$ 1,670
Ratio to average net assets of:		
Expenses	0.69% <sup>4</sup>	0.76% <sup>4</sup>
Net investment income (loss)	4.43% <sup>4</sup>	1.54% <sup>4</sup>
Portfolio turnover rate <sup>5</sup>	11%	72%

1 Commencement of operations.

2 Based on average shares outstanding.

3 Total investment return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions, if any, at net asset value during the period, and redemption on the last day of the period. Total return calculated for a period less than one year is not annualized. Total returns may reflect adjustments to conform to generally accepted accounting principles.

4 Annualized.

5 Portfolio turnover rate is not annualized and excludes the value of portfolio securities received or delivered as in-kind creations or redemptions in connection with the Fund's capital share transactions.

## PRIVACY POLICY

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The following notice does not constitute part of the Prospectus, nor is it incorporated into the Prospectus.

IndexIQ ETF Trust is committed to respecting the privacy of personal information you entrust to us in the course of doing business with us.

The Trust may collect non-public personal information from various sources. The Trust uses such information provided by you or your representative to process transactions, to respond to inquiries from you, to deliver reports, products, and services, and to fulfill legal and regulatory requirements.

We do not disclose any non-public personal information about our customers to anyone unless permitted by law or approved by the customer. We may share this information within the Trust's family of companies in the course of providing services and products to best meet your investing needs. We may share information with certain third parties who are not affiliated with the Trust to perform marketing services, to process or service a transaction at your request or as permitted by law. For example, sharing information with companies that maintain or service customer accounts for the Trust is essential. We may also share information with companies that perform administrative or marketing services for the Trust, including research firms. When we enter into such a relationship, we restrict the companies' use of our customers' information and prohibit them from sharing it or using it for any purposes other than those for which they were hired.

We maintain physical, electronic, and procedural safeguards to protect your personal information. Within the Trust, we restrict access to personal information to those employees who require access to that information in order to provide products or services to our customers, such as handling inquiries. Our employment policies restrict the use of customer information and require that it be held in strict confidence.

We will adhere to the policies and practices described in this notice for both current and former customers of the Trust.

## FREQUENTLY USED TERMS

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Trust	IndexIQ ETF Trust, a registered open-end investment company
Funds	The investment portfolios of the Trust
Shares	Shares of the Funds offered to investors
Advisor	IndexIQ Advisors LLC
Custodian	The Bank of New York Mellon, the custodian of the Funds' assets
Distributor	ALPS Distributors, Inc., the distributor to the Funds
AP or Authorized Participant	Certain large institutional investors such as brokers, dealers, banks or other entities that have entered into authorized participant agreements with the Distributor.
NYSE Arca	NYSE Arca, Inc., the primary market on which Shares are listed for trading
IIV	The Indicative Intra-Day Value, an appropriate per-Share value based on a Fund's portfolio
1940 Act	Investment Company Act of 1940, as amended
NAV	Net asset value
SAI	Statement of Additional Information
SEC	Securities and Exchange Commission
Secondary Market	A national securities exchange, national securities association or over-the-counter trading system where Shares may trade from time to time
Securities Act	Securities Act of 1933, as amended



**IndexIQ ETF Trust**

*Mailing Address*

800 Westchester Avenue, Suite N-611

Rye Brook, New York 10573

1-888-934-0777

[www.indexiq.com](http://www.indexiq.com)

# IndexIQ ETF Trust



## For More Information

If you would like more information about the Trust, the Funds and the Shares, the following documents are available free upon request:

### Annual/Semi-annual Report

Additional information about a Fund's investments is available in the Fund's annual and semi-annual reports to shareholders. In the Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during the last fiscal year.

### Statement of Additional Information

Additional information about the Funds and their policies is also available in the Funds' SAI. The SAI is incorporated by reference into this Prospectus (and is legally considered part of this Prospectus).

The Fund's annual and semi-annual reports (when available) and the SAI are available free upon request by calling IndexIQ at 1-888-934-0777. You can also access and download the annual and semi-annual reports and the SAI at the Fund's website: <http://www.indexiq.com>.

To obtain other information and for shareholder inquiries:

By telephone: 1-888-934-0777

By mail: IndexIQ ETF Trust  
c/o IndexIQ  
800 Westchester Avenue, Suite N-611  
Rye Brook, NY 10573

On the Internet: SEC Edgar database: <http://www.sec.gov>; or [www.indexiq.com](http://www.indexiq.com)

You may review and obtain copies of Fund documents (including the SAI) by visiting the SEC's public reference room in Washington, D.C. You may also obtain copies of Fund documents, after paying a duplicating fee, by writing to the SEC's Public Reference Section, Washington, D.C. 20549-0102 or by electronic request to: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Information on the operation of the public reference room may be obtained by calling the SEC at (202) 942-8090.

No person is authorized to give any information or to make any representations about the Funds and their Shares not contained in this Prospectus and you should not rely on any other information. Read and keep the Prospectus for future reference.

Dealers effecting transactions in the Funds' Shares, whether or not participating in this distribution, may be generally required to deliver a Prospectus. This is in addition to any obligation dealers have to deliver a Prospectus when acting as underwriters.

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