

METHODOLOGY FOR IQ[®] GLOBAL RESOURCES INDEX



by MainStay Investments

Introduction

- This document sets forth the methodology for the following index (the “Index”):
 - IQ[®] Global Resources Index
- For any ETF based on a given Index, such Index will be calculated by Solactive AG or another established and unaffiliated calculation agent prior to the launch of such ETF, and the Index value on a price basis will be disseminated every 15 seconds to the Securities Industry Automation Corporation (SIAC) so that such Index value can print to the Consolidated Tape.
- The Index uses a rules-based process to select individual components of the Index (“Index Components”).

Annual Reconstitution

- The Index is reconstituted once a year (the “Annual Reconstitution”) and adjusted intra-year only in connection with the monthly rebalance of its Index Components (the “Monthly Rebalance”) or certain corporate actions, as described below.
- The annual reconstitution (the “Annual Reconstitution”) is conducted the last business day in February and effective with the scheduled April Monthly Rebalance Date. IndexIQ reserves the right to postpone the Annual Reconstitution date for up to one week with prior public notice of such postponement.

Eligibility Requirements

- The Index is comprised of common stock only and excludes American Depositary receipts (ADRs), preferred stock, limited partnerships, master limited partnerships (MLPs), real estate investment trusts (REITs), investment companies, and trusts. The Index also includes a limited number of exchange traded funds (ETFs).
- The Index Components are listed for trading on one of the following exchanges and/or are headquartered in one of the following countries / locales:

<u>Exchange</u>	<u>Country / Locale</u>
○ ASX National	Australia
○ Copenhagen	Denmark
○ Euronext Belgium	Belgium
○ Euronext France	France
○ Euronext Netherlands	Netherlands
○ Euronext Portugal	Portugal
○ Helsinki	Finland
○ Hong Kong	Hong Kong

○ Irish Main Market	Ireland
○ Italy Continuous	Italy
○ JASDAQ	Japan
○ London	United Kingdom
○ Madrid	Spain
○ NASDAQ	United States
○ NYSE	United States
○ NYSE Arca	United States
○ NZSE National Market	New Zealand
○ OM Stockholm	Sweden
○ Osaka	Japan
○ Oslo	Norway
○ Singapore	Singapore
○ Spanish Stock Market	Spain
○ Swiss Virt-X	Switzerland
○ SWX	Switzerland
○ Tokyo	Japan
○ Toronto	Canada
○ Vienna	Austria
○ XETRA	Germany
○	Greece

Selection Criteria

- The Index is comprised primarily of companies grouped together within 8 sectors (each a “Sector”), each with specific eligibility requirements as follows:
 - Livestock:
 - Companies identified that meet sub-sector SIC code classification related to Livestock
 - Net Sales greater than or equal to \$30 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$300 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$500,000 as of Annual Reconstitution
 - Top 15 companies are selected based on market capitalization
 - Timber
 - Companies identified that meet sub-sector SIC code classification related to Timber
 - Net Sales greater than or equal to \$50 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$500 million as of Annual Reconstitution

- Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 15 companies are selected based on market capitalization
- Water
 - Companies identified that meet sub-sector SIC code classification related to Water
 - Net Sales greater than or equal to \$50 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$500 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 15 companies are selected based on market capitalization
- Industrial Metals
 - Companies identified that meet sub-sector SIC code classification related to Industrial Metals
 - Net Sales greater than or equal to \$50 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$500 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 40 companies are selected based on market capitalization
- Energy
 - Companies identified that meet sub-sector SIC code classification related to Energy
 - Net Sales greater than or equal to \$100 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$1.5 billion as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 40 companies are selected based on market capitalization
- Grains, Food, Fiber
 - Companies identified that meet sub-sector SIC code classification related to Grains, Food, Fiber
 - Net Sales greater than or equal to \$50 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$500 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution

- Top 40 companies are selected based on market capitalization
- Coal
 - Companies identified that meet sub-sector SIC code classification related to Coal
 - Net Sales greater than or equal to \$30 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$300 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 15 companies are selected based on market capitalization
- Precious Metals
 - Companies identified that meet sub-sector SIC code classification related to Precious Metals
 - Net Sales greater than or equal to \$50 million as of Annual Reconstitution
 - Market capitalization greater than or equal to \$500 million as of Annual Reconstitution
 - Average daily dollar trading volume greater than or equal to \$1 million as of Annual Reconstitution
 - Top 40 companies are selected based on market capitalization

Monthly Rebalance

- The Index is rebalanced monthly. The Monthly Rebalance is conducted on the 1st business day of each month (“Monthly Rebalance Date”) and effective after the close of the 3rd business day of the month.
- On the Monthly Rebalance Date, the existing Index Components are re-weighted according to the non-market capitalization methodology outlined below in Weighting.

Weighting

- The weights for each Sector are determined on the Monthly Rebalance Date using a non-market capitalization methodology developed and maintained by IndexIQ, as set forth below.
- The market capitalization weighted Price/Book Value and Price/Sales are calculated for each Sector. The raw values are then normalized by the average and standard deviation of that Sector’s prior last 12 month’s values. Additionally, the market capitalization weighted average return of the Sector over the prior 11

months (lagged 1 month) is calculated and the most recent month's return is subtracted from the average.

- Each Sector is ranked relative to the other Sectors based on the values of each of the 3 factors as outlined above. The combination of the rankings of the 3 factors produces a Composite Score for each sector.
- The Sectors are ranked and divided into groups based on their Composite Score:
 - Group 1: top 4 sectors (more attractive)
 - Group 2: bottom 4 sectors (less attractive)
- The minimum and maximum Sector weights are based on the combination of the Sector's prior month Group and the current month Group and are applied as per the table below:

Prior Month Group	Current Month Group	Min Wt	Max Wt
1	1	12.5%	17.5%
1	2	7.5%	7.5%
2	1	13.75%	17.5%
2	2	7.5%	12.5%

- The weight applied to the Sector is then calculated by finding the minimum turnover necessary for all Sector weights to meet their respective minimum and maximum required weights.
- The final sector weights are then scaled to 90%. 2 short positions in broad equity market ETFs are added at 10% each in an attempt to provide the Index with a partial hedge to the equity markets. Lastly, a 30% position in a short term Treasury bond ETF is added to bring the net index weight to 100%.
- The weighting of the Index Components is determined by multiplying the relevant final Sector weight by the market capitalization weight of the Index Component within the Sector.

Index Formula

- The following formula is used to calculate the Index:

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

P_i = Price of security i
 $IQWF_i$ = IndexIQ Weight Factor
 D = Divisor

Concentration Limitations

- At the time of each Annual Reconstitution and Monthly Rebalance, no single Index Component may have
 - a weighting greater than 10%
 - no single Aggregate Country may have a total weight of greater than 60%To the extent one or more Index Components would exceed this limitation, the cap is applied and the excess weight is allocated proportionately among the other Index Components.

Ongoing Maintenance

Stock Splits / Reverse Splits / Stock Dividends

- Non-divisor adjustments are made to each Index as appropriate in connection with any of these stock-related corporate actions.

Extraordinary Distributions

- In the event of certain types of corporate actions, such as the payment of a dividend, other than an ordinary cash dividend, rights offering, or a distribution with respect to an Index Component, the divisor is adjusted to reflect the adjustment to the price, net of foreign withholding taxes where applicable, of that component stock resulting from the distribution.

Mergers / Takeovers

- If an existing Index Component is merged into or is otherwise acquired by another Index Component for shares (or a combination of shares and cash), then the Index Component being acquired is removed from the Index on the effective date of the transaction and no replacement is made. The surviving entity remains a component of the Index with its weight factor adjusted so that the surviving entity retains the same overall percentage representation within the Index as the sum of the entities prior to the transaction. If the transaction involves cash only, then the Index Component being acquired is removed, the percentage representation of the acquiring component is not adjusted to reflect the merger / takeover, and the weights of all Index Components (other than the one that was removed) are adjusted proportionately for the weight of the Index Component that was removed.
- If an existing Index Component is acquired by a non-component, then the existing Index Component is removed, no replacement is made, and the weights of all

remaining Index Components are adjusted proportionately for the weight of the Index Component that was removed.

- If an existing Index Component acquires a non-component, the existing Index Component remains in the Index with an unchanged percentage representation, and the weights of all other Index Components are not adjusted.

Bankruptcy, De-Listing or Prolonged Trading Suspension

- In the event of an Index Component's bankruptcy, the Index Component is removed from the Index effective after the close on the date of the bankruptcy filing and is removed at the value at which it last traded, with no replacement made. The weights of all remaining Components are adjusted proportionately for the weight of the Component that is removed.
- In the event of an Index Component's de-listing from one of the exchanges outlined above under "Eligibility Requirements", the Index Component is removed from the Index effective after the close on the date of the de-listing and is removed at the value at which it last traded, with no replacement made. The weights of all remaining Index Components are adjusted proportionately for the weight of the Component that is removed.
- In the event that trading in an Index Component is suspended for more than three (3) consecutive trading days, the Index Component is removed from the Index effective after the close on the third such day of trading and is removed at the value at which it last traded, with no replacement made. The weights of all remaining Index Components are adjusted proportionately for the weight of the Component that is removed.

Spin-Offs

- In the event a company is spun-off from an existing Index component, the spun-off company may remain within the index provided the spun-off company meets the eligibility requirements and selection criteria for inclusion in the index and is consistent with the objective of the index.

Dividends

- Dividend payments by Index Components are treated as if they are reinvested in the Index, net of any applicable foreign withholding taxes, in calculating the total return Index.

Extraordinary Circumstances

- In the event of an extraordinary circumstance in which an Index Component no longer conforms to the objectives of the Index, the Index Committee may elect to eliminate the Component from the Index. In such a situation, the Index Committee may seek to find a replacement Component that best conforms to the objective of the Index pursuant to the process set forth above.

Base Date & Value

- The Base Date and Value for the Index are October 31, 2007 and 1000, respectively.

Rule Changes

- Any material change in the Index rules may be made following 60 days public notice.

Index Committee

- The Index methodology is maintained by the Index Committee. The Index Committee meets annually to review the Annual Reconstitution and as necessary on an ad hoc basis to make any extraordinary decisions regarding the Index.

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