



IQ Global Resources Index

METHODOLOGY

Contents

Introduction.....	2
Index Objective.....	2
Eligibility Requirements.....	2
Index Universe.....	2
Selection Criteria.....	3
Index Construction.....	5
Weighting.....	5
Concentration Limitations.....	6
Index Shares.....	6
Index Maintenance.....	6
Reconstitution.....	6
Rebalance.....	6
Corporate Events and Index Policy.....	6
Index Calculation.....	6
Index Level.....	6
Return Series.....	7
Currency.....	7
Base Dates and History Availability.....	7
Ticker.....	7
Contact Information.....	7
APPENDIX 1: Amendment History.....	8
Amendment History.....	8
APPENDIX 2: Disclaimers.....	9
Disclaimers.....	9

Introduction

This document sets forth the methodology for the IQ[®] Global Resources Index (the “Index”). Capitalized terms are defined herein.

Index Objective

The IQ Global Resource Index selects the largest companies by market capitalization that operate in commodity-specific market segments and whose equity securities trade in developed markets, including the U.S.

These segments include the major commodity sectors (Precious Metals, Industrial Metals, Livestock, Energy, and Grains, Food & Fiber), plus Timber, Water and Coal. The Index also includes short exposure to global equities as a partial equity market hedge.

Eligibility Requirements

Index Universe

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 components of the Index are listed for trading on the following eligible exchanges and/or are headquartered in one of the following countries:

Exchange	Country
ASX National	Australia
Vienna	Austria
Euronext Belgium	Belgium
Toronto	Canada
Copenhagen	Denmark
Helsinki	Finland
Euronext France	France
Athens	Greece
XETRA	Germany
Hong Kong	Hong Kong
Irish Main Market	Ireland
Tel Aviv Stock Exchange	Israel
Italy Continuous	Italy
JASDAQ	Japan
Osaka	Japan
Tokyo	Japan

Luxembourg Stock Exchange	Luxembourg
Euronext Netherlands	Netherlands
NZSE National Market	New Zealand
Oslo	Norway
Euronext Portugal	Portugal
Singapore	Singapore
Madrid	Spain
Spanish Stock Market	Spain
OM Stockholm	Sweden
Swiss Virt-X	Switzerland
SWX	Switzerland
London	United Kingdom
NASDAQ	United States
NYSE	United States
NYSE Arca	United States

Selection Criteria

The Index is comprised primarily of companies grouped together within 8 sectors (each a “Sector”), each with specific eligibility requirements as of the Annual Reconstitution reference date as follows:

Livestock:

- Companies identified that meet sub-sector SIC code classification related to Livestock
- Net Sales greater than or equal to \$30 million
- Market capitalization greater than or equal to \$300 million
- Average daily dollar trading volume greater than or equal to \$500,000
- 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
- Market capitalization greater than or equal to \$500 million
- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$500 million

- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$500 million
- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$1.5 billion
- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$500 million
- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$300 million
- Average daily dollar trading volume greater than or equal to \$1 million
- 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
- Market capitalization greater than or equal to \$500 million
- Average daily dollar trading volume greater than or equal to \$1 million
- Top 15 companies are selected based on market capitalization

Index Construction

Weighting

Index component weights are determined using non-market capitalization methodology developed and maintained by IndexIQ.

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 twelve month's values. Additionally, the market capitalization weighted average return of the Sector over the prior eleven months (lagged one 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 three factors as outlined above. The combination of the rankings of the three 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%. Two short positions in broad equity market ETFs are added at 10% each to provide the Index with a partial hedge to the equity markets. Lastly, a 30% position in one or more short-term bond ETFs, including the IQ Ultra Short Duration 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.

Concentration Limitations

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

Index Shares

Shares held within the index are derived from a notional value, the weight as determined above, and component prices as of the Reconstitution or Rebalance.

Index Maintenance

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 with certain corporate actions (as described below).

The Annual Reconstitution occurs on the last business day of February for effect on the Effective Date of the April monthly rebalance.

Rebalance

At each Monthly Rebalance, the Index Components are re-weighted according to the non-market capitalization methodology outlined above.

The Monthly Rebalance occurs on the first business day of each month and becomes effective at the open of the fourth business day of the month.

Corporate Events and Index Policy

Refer to the IndexIQ Events Guide.

Index Calculation

Index Level

The following general formula is used to calculate the Index Level:

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

P_i = Price of security i
 Shares_i = Shares of security i
 D = Divisor

Return Series

The Index return series is based on the treatment of cash dividends, stock dividends, and spin-offs (collectively determined as a “Distribution”).

- The Price Return (PR) index is calculated without adjustments for distributions.
- The Total Return (TR) index reinvests distributions as of the ex-date.

In the event there are no distributions the daily performance of both indexes will be identical.

Currency

The Index is calculated in U.S. Dollars.

Base Dates and History Availability

Index	Base Date	Base Value
IQ Global Resources Index	October 31, 2007	1000

Ticker

Index levels are available through major quote vendors, numerous investment-oriented websites, and various print and electronic media. IndexIQ LLC’s website also provides an archive of recent index announcements.

Index	Return Type	Bloomberg
IQ Global Resources Index	Price Return	IQGRES
	Total Return	IQGREST

Contact Information

For questions regarding the Index, please contact: (888) 474-7725 or index@indexiq.com.

APPENDIX 1: Amendment History

Amendment History

Effective Date	Change
December 31, 2019	Effective date for new rule book template
May 13, 2019	Israel and Luxembourg added to Index Eligibility Requirements

APPENDIX 2: Disclaimers

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