

About MacKay Municipal Managers

Not all municipal managers are created equal. Our municipal bond strategies are managed by the experienced professionals at MacKay Municipal Managers, the minds behind munis. MacKay Municipal Managers is a recognized leader in active municipal bond investing and is entrusted with approximately \$49 billion in assets, as of 12/31/19. The Team manages a suite of highly rated, award-winning municipal bond solutions, available in multiple structures, including mutual funds and exchange traded funds.

Access more on our blog:
nylinvestments.com/blog

Why is active management and relative value essential in the municipal market? Here are four reasons to consider.

1. We believe experienced financial advisors recognize the need for professional active management in the municipal bond market.

While passive management has been a longstanding ETF approach, advisors now recognize the current landscape requires the skills of experienced professional managers that actively manage municipal bond portfolios. Dynamic, relative value managers like MacKay Municipal Managers are well-positioned to be proactive, anticipate, navigate, and capitalize. The explicit design of more passive funds limit those funds to reacting to market conditions, but often when it is already too late.

2. The market is highly fragmented and dominated by individual investors.

There are 87,000+ issuers and over 1 million distinct bonds in the \$3.8 trillion municipal market¹. As MacKay Municipal Managers notes in their white paper, **Municipal Bonds: The Case for Active Management**, roughly 70% of municipal bonds are held by individual investors, many of whom represent direct holders of the bonds. As these individuals largely lack sufficient investment expertise in the complex municipal market, behavioral finance and emotion prevail, as headline news can lead to investors making poor investment decisions. This inefficient landscape tends to produce mispricings and, therefore, opportunities to capture value when taking an active, total return-oriented approach.

3. We believe prudent credit selection combined with relative value analysis will contribute to outperforming the benchmark and passive strategies.

Deep credit analysis as the foundation of relative value investing are core competencies of MacKay Municipal Managers. Consistent execution of this approach can deliver outperformance relative to passive approaches over the long term.

4. A total return-oriented approach that seeks to preserve purchasing power and maximize cash flow for clients.

We believe investors' portfolios should be managed to generate total return through prudent risk taking, with the objective of not just preserving wealth, but more important, endeavoring to preserve the purchasing power of that wealth. We also believe that clients can maximize income if a compelling total return profile is delivered over time.

¹ Source: Securities Industry and Financial Markets Association (SIFMA), Municipal Bond Credit Report, Q2 2019.

Municipal bonds - why should investors consider active over passive?

Being proactive instead of reactive

In an inefficient market that lends itself to an opportunistic, total return driven approach, skilled active managers can execute their investment strategy and seek to deliver total return through security selection, yield curve positioning, and active trading. Passively managed municipal ETFs are rules-based and seek to mirror an index regardless of whether the bonds involved are good investments or not. MacKay Municipal Managers, active managers of the MMIN and MMIT ETFs, proactively implement our investment thesis and seek total return. In doing so, the team is selective about which municipal bonds to include in the portfolios we manage.

Demonstrating flexibility and discretion instead of following an index

As an active, total return manager, MacKay Municipal Managers will make investment decisions based on relative value, versus matching an index, where selling bonds is purely optional and based on a variety of factors. As such, they can select municipal bonds based on income and total return potential while managing risks through rigorous credit and market analysis. Conversely, these variables do not factor into a passively managed municipal ETF as they seek to buy/sell a pre-determined basket of securities on the same day regardless of the evolving landscape.

There may also be times when an active manager believes that higher levels of cash in the fund is a more prudent strategy, especially due to the liquidity challenges that the municipal market faces. An index fund must stay fully invested at all times regardless of market conditions.

Liquidity management – a challenge becomes an advantage when active managers can be selective and anticipate liquidity concerns

MacKay Municipal Managers manages liquidity through its bond selection, not just through its cash position. Liquidity management is a key pillar of the team's investment process across all of our strategies, and the ETFs are no exception.

Unlike passive rules-based ETFs, actively managed portfolios can factor in a bond's liquidity profile, amidst other factors, and choose to buy or sell rather than need to buy or sell. MMIN and MMIT invest in liquid, investment grade credits with no leverage (leverage can cause illiquidity during volatile markets).

Utilizing our active municipal bond ETFs

Given the flexibility of the ETF structure, there are many applications for MMIN and MMIT in an investor's portfolio. The following outline some of the more popular uses of our active ETFs:

1. Complement or replace laddered strategies – deploy idle cash and add alpha

For investors using laddered strategies, which are passive in nature, MMIN can help diversify and add alpha potential.

Since bond laddering has the potential for cash drag as rungs mature, cash can be deployed into a municipal ETF vehicle with intraday liquidity as a placeholder before investing into the next maturity rung – earning tax-exempt income and potential capital appreciation in the meantime. This provides a compelling alternative for financial advisors since many no longer have access to inventory and, as a result, municipal bonds are a challenge to replace.

2. Complement or replace municipal separate account strategies

While municipal separately managed accounts (SMAs) attract assets partly due to perception of investor exclusivity and customization that accompanies direct ownership of bonds, we believe the market is increasingly observing the outperformance of active, commingled municipal strategies relative to many municipal SMAs.

For investors that are seeking an active, total return-oriented profile managed by a highly tenured team, consider MMIN.

3. Replace underperforming ETF exposures with an active, total return-oriented approach

Most municipal ETF assets are in passive products, but for investors that prefer an active exposure for this asset class, MacKay's experience, total return potential, and low cost make a compelling case for MMIT.

4. With MMIN, add a layer of credit protection (no less than 80% wrapped with monoline insurance) while still gaining exposure to an actively managed ETF

In a market where the case for full time credit research by professional municipal managers has never been stronger, combine the benefits of an actively managed portfolio with the added credit enhancement that accompanies bonds wrapped by certain monoline insurance companies.

Summary

We believe an active municipal ETF benefits from an experienced portfolio management team that can be proactive while navigating challenges and uncovering

potential investment opportunities that otherwise would not be in scope for a passive strategy.

Key features and benefits

IQ MacKay Municipal Insured ETF (MMIN)

- Actively managed investment grade portfolio
- Enhanced credit protection with at least 80% in bonds wrapped with monoline insurance
- Only insured municipal bond ETF on the market²
- Seeks competitive income and total return
- Benchmark: Bloomberg Barclays Municipal All Insured Bond Index

IQ MacKay Municipal Intermediate ETF (MMIT)

- Actively managed investment grade portfolio
- Focused on the intermediate segment of the market
- Seeks current income exempt from federal income tax
- Benchmark: Bloomberg Barclays Municipal Bond 1-15 Year Blend Index

² Source: MacKay Municipal Managers and IndexIQ.

Average annual returns as of 12/31/2019

		QTD	YTD	1-Year	Since inception*	30-Day SEC Yield**	Fund Expenses***
IQ MacKay Municipal Insured ETF—MMIN	NAV	0.66%	8.06%	8.06%	5.07%	1.76%	0.31%
	Market Price	0.78%	8.12%	8.12%	5.18%	–	–
IQ MacKay Municipal Intermediate ETF—MMIT	NAV	0.70%	7.98%	7.98%	4.86%	1.82%	0.31%
	Market Price	0.47%	7.53%	7.53%	4.80%	–	–

Returns represent past performance which is no guarantee of future results. Current performance may be lower or higher. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more, or less than their original cost. Visit nylinvestments.com/etfs for the most recent month-end performance. Expenses stated are as of the fund's most recent prospectus.

*Inception date for MMIN and MMIT is 10/18/17.

**The 30-Day SEC Yield is based on net investment income for the 30-day period ended 12/31/19, divided by the offering price per share on that date. Yield reflects a fee waiver and/or expense limitation agreement without which the 30-Day SEC Yield for MMIN would have been 1.51%, and the 30-Day SEC Yield for MMIT would have been 1.47%.

***Performance reflects a contractual fee waiver and/or expense limitation agreement in effect through 8/31/20, without which total returns may have been lower. This agreement renews automatically for one-year terms unless written notice is provided before the start of the next term or upon approval of the Board.



About risk

Past performance is no guarantee of future results, which will vary. All investments are subject to market risk and will fluctuate in value.

This material represents an assessment of the market environment as at a specific date; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any issuer or security in particular.

The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial advisor before making an investment decision.

Before considering an investment in the Fund, you should understand that you could lose money.

IQ MacKay Municipal Insured ETF (MMIN) and IQ MacKay Municipal Intermediate ETF (MMIT): The Fund may be susceptible to an increased risk of loss, including losses due to adverse events that affect the Fund's investments more than the market as a whole, to the extent that the Fund's investments are concentrated in the securities of a particular issuer or issuers, region, market, industry, group of industries, project types, group of project types, sector or asset class. Municipal Bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities. Fixed income securities most frequently trade in institutional round lot size transactions. Until the Fund grows significantly in size, the Fund expects to purchase a significant number of bonds in amounts less than the institutional round lot size, which are frequently referred to as "odd" lots. Odd lot size positions may have more price volatility than institutional round lot size positions. A portion of the Fund's income may be subject to state and local taxes or the alternative minimum tax. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner. Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities.

IQ MacKay Municipal Insured ETF (MMIN): Insured Municipal Bonds are covered by insurance policies that guarantee the timely payment of principal and interest. The insurance does not guarantee the market value of an insured security, or the Fund's share price or distributions, and shares of the Fund are not insured. The Fund may purchase insurance for an uninsured bond directly from a qualified Municipal Bond insurer. The supply of insured municipal securities which meet the Fund's investment guidelines is limited.

Consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The prospectus and the statement of additional information include this and other relevant information about the Fund and are available by visiting nylinvestments.com/etfs or calling 888-474-7725. Read the prospectus carefully before investing.

"New York Life Investments" is both a service mark, and the common trade name, of the investment advisors affiliated with New York Life Insurance Company. MacKay Shields LLC is an affiliate of New York Life Investment Management LLC. IndexIQ® is an indirect wholly owned subsidiary of New York Life Investment Management Holdings LLC and serves as the advisor to the IndexIQ ETFs. ALPS Distributors, Inc. (ALPS) is the principal underwriter of the ETFs. NYLIFE Distributors LLC is a distributor of the ETFs. NYLIFE Distributors LLC is located at 30 Hudson Street, Jersey City, NJ 07302. ALPS Distributors, Inc. is not affiliated with NYLIFE Distributors LLC. NYLIFE Distributors LLC is a Member FINRA/SIPC.

Not FDIC/NCUA Insured

Not a Deposit

May Lose Value

No Bank Guarantee

Not Insured by Any Government Agency