MainStay Investments®

MARKETFIELD
ASSET MANAGEMENT

June 30, 2013

MainStay Marketfield Fund

Fund Overview

Objective

The investment objective of the Fund is capital appreciation. We endeavor to accomplish this by seeking low-volatility absolute returns in excess of broad equity indexes.

Strategy & Process

The Fund attempts to provide returns on capital substantially in excess of the risk-free rate rather than matching any particular index or external benchmark. The Fund has a broad investment charter that allows it to utilize equity securities, fixed-income instruments, commodities, futures and options. Additionally, with respect to 50% of the Fund's net assets, the Fund may engage in short sales of index-related and other equity securities to reduce its equity exposure or to profit from an anticipated decline in the price of the security sold short.
The use of short selling could result in increased volatility of returns.

Fund Facts

Fund Statistics

CUSIP:........................Class A: 56064B878
..................................Class I: 56064B852
................................Class R2: 56064B845
Inception Date..............................7/31/07
Benchmark...........................S&P 500 Index
Net Assets $10,455M
Number of Holdings 101

Top Ten Long Equity Holdings
(As of 6/30/13)

iShares MSCI Japan ETF........................ 2.7%
SPDR S&P Regional Banking ETF............. 2.2%
iShares MSCI Mexico ETF 1.9%
BASF SE (Germany) 1.6%
Eagle Materials Inc. 1.4%
iShares MSCI Italy ETF 1.4%
Discover Financial Services..................... 1.3%
Taiheiyo Cement Corp. (Japan)............... 1.3%
CRH PLC (UK)....................................... 1.3%
Union Pacific Corp................................ 1.3%
TOTAL: 16.4%

Portfolio Allocation (As of 6/30/13)

Equity Long 79%
Equity Short 26%

★★★★★ OVERALL MORNINGSTAR RATING™ (CLASS I) AMONG 120 LONG-SHORT EQUITY FUNDS AS OF 6/30/13

Ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3 year Morningstar Rating metrics. *Class I shares received 4 stars among 120 Long-Short Equity Funds for the three-year period and 5 stars among 68 Long-Short Equity Funds.*

Fund Performance

Quarterly Average Annual Total Returns as of 6/30/13

	Tickers	YTD	One Year	Three Year	Five Year	Inception
Class A (Max. 5.5% load) (10/08/2012)	MFADX	1.48%	5.82%	10.27%	9.36%	8.24%
Class A (NAV) (10/08/2012)	MFADX	7.39%	11.98%	12.37%	10.60%	9.28%
Class I (07/31/2007)	MFLDX	7.51%	12.19%	12.63%	10.86%	9.54%
Class R2 (10/08/2012)	MFRDX	7.40%	11.82%	12.24%	10.48%	9.16%
S&P 500	N/A	13.82%	20.60%	18.45%	7.01%	3.96%*

*Inception date used was for Class I (07/31/07)

Total Annual Fund Operating Expenses: Class A: 4.15%, Class R2: 3.91%, and Class I: 2.94%; Effective October 5, 2012, New York Life Investment Management LLC ("New York Life Investments") has contractually agreed to waive fees and/or reimburse expenses so that Total Annual Fund Operating Expenses (excluding taxes, interest, litigation, extraordinary expenses, brokerage and other transaction expenses relating to the purchase or sale of portfolio investments, and acquired (underlying) fund fees and expenses) for Class I shares do not exceed 1.56% of its average daily net assets. This agreement will be in effect for a two-year period unless extended by New York Life Investments and approved by the Board of Trustees.

Average annual total returns include the change in share price and reinvestment of capital gains and distributions. Effective 10/8/12, Marketfield Fund was renamed MainStay Marketfield Fund. At that time, the Fund's existing no-load shares were redesignated Class I shares. Performance for Class A and R2 shares, first offered 10/8/12, includes the historical performance of Class I shares from inception through 10/8/12, adjusted to reflect the applicable sales charge and fees and expenses for such shares. Class I shares are generally available only to corporate and institutional investors.

Performance reflects the reinvestment of dividends and other earnings and is net of advisory fees. Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data to the most recent month end may be obtained by calling 800–MAINSTAY (624–6782).

The S&P 500 Index (SPX) is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The securities holdings and volatility of the Fund differ significantly from the stocks that make up the SPX.

Equity allocations may include fixed income exposure.

Top Five Sectors–Net

Industrial...21.0%
Consumer Discretionary..13.8%
Materials 11.4%
Financials..7.3%
Energy..3.1%

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Current and future portfolio holdings are subject to risk.
There can be no guarantee that investment objectives will be met.

Management Team

Michael C. Aronstein
President, Chief Investment Officer, and Portfolio Manager

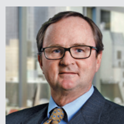
Michael C. Aronstein is Portfolio Manager of MainStay Marketfield Fund. In 2004, Mr. Aronstein joined Oscar Gruss & Son Incorporated, where he held the position of Chief Investment Strategist. Prior to joining Oscar Gruss, Mr. Aronstein was Chief Investment Strategist at Preservation Group, a provider of independent macroeconomic and strategic advice to professional investors. Mr. Aronstein began his investment career in 1979 at Merrill Lynch, serving positions as Senior Market Analyst, Senior Investment Strategist, and Manager of Global Investment Strategy. Mr. Aronstein spent six years as President of Comstock Partners, a diversified investment advisor, and left to found West Course Capital, a discretionary commodity management firm. Mr. Aronstein graduated from Yale College with a Bachelor of Arts in 1974. His views on macroeconomic and strategic issues are regularly sought by and disseminated through the financial print and visual media. Mr. Aronstein manages $10,455 million in MainStay Marketfield Fund, $106 million in MainStay VP Marketfield Portfolio and $578 million in The Marketfield Fund, Ltd.; total assets under management are $11,139 million.

David C. Johnson, Jr.
Principal, Director of Research

Mr. Johnson joined Marketfield Asset Management LLC as Director of Research in April 2011. Mr. Johnson is a graduate of the University of North Carolina at Chapel Hill. He received his MBA in 1984 from Darden School of Business, University of Virginia. Prior to joining Marketfield, Mr. Johnson was an investment analyst, portfolio manager, and head of business development at Wilkinson O'Grady & Co., Inc. He spent the first 10 years of his career in the fixed-income department of Salomon Brothers, where he managed one of its primary sales groups. Mr. Johnson was president of Preservation Group, where he worked closely with Mr. Aronstein.

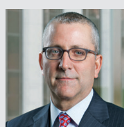
Michael Shaoul
Chairman and CEO

Michael Shaoul also serves as Chief Executive Officer of Oscar Gruss and Son Incorporated, a position he has held since December 2001. He joined Oscar Gruss in 1996 as Chief Operating Officer. Between 1992 and 1996, Mr. Shaoul ran Park Square Associates, a Manhattan-based real estate investment and management company. He was awarded a Ph.D. in Accounting and Finance in 1992 from Manchester University (UK). Mr. Shaoul has written articles on behalf of *Barron's* and has been regularly quoted in *The Wall Street Journal* and Dow Jones Newswires regarding his opinions on the investment markets.



Myles D. Gillespie
Principal, Senior Trader

Myles D. Gillespie joined Marketfield Asset Management in 2007. Myles is a graduate of The Hotchkiss School and holds a Bachelor of Arts degree from Franklin and Marshall College (Class of 1983). From 1983 to 1986, he worked as a stock index futures trader with Henderson Brothers and in 1986 became a NYSE Specialist at Quick & Reilly. He was appointed Executive Vice President of JCC Specialist Corp., the successor firm to Quick & Reilly, in 1989. In 1999 he became President of Fleet Specialist, Inc., the successor firm to JCC Specialist Corp., retiring from this position in 2004. During his time at the NYSE, Myles served as a NYSE floor Official (1993-1999) and NYSE floor Governor (2001-2004).



Andrew Lyss
Principal, Senior Trader

Mr. Lyss joined Marketfield Asset Management LLC in 2012. He was previously Executive Vice President at Oscar Gruss, which he re-joined in 1997. Mr. Lyss previously worked for Oscar Gruss from 1993 to 1995. Mr. Lyss specializes in special situations, including merger arbitrage, spinoffs, bankruptcy, and post-bankruptcy valuations. He has twenty-three years of securities industry experience. Prior to re-joining Oscar Gruss in 1997, Mr. Lyss was employed by Arnhold & S. Bleichroeder from 1995 to 1997 in institutional sales and by Prudential Securities from 1983 to 1989 in varied positions. Mr. Lyss received a BS/BA from the University of Denver in 1982.

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Before You Invest

Mutual fund investing involves risk. Principal loss is possible. The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility. The Fund invests in foreign securities which involve greater volatility, political, economic and currency risks, and differences in accounting methods. These risks are greater for investments in emerging markets. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage-backed securities involve additional risks such as credit risk, prepayment risk, possible illiquidity and default, and increased susceptibility to adverse economic developments.

The Fund regularly makes short sales of securities, which involve the risk that losses may exceed the original amount invested. The Fund may also use options and futures contracts, which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates and currency exchange rates. However, a mutual fund investor's risk is limited to the amount invested in a fund. Investments in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies.

The Fund involves the risk that the macroeconomic trends identified by portfolio management will not come to fruition and their advantageous duration may not last as long as portfolio management forecasts. The Fund may invest in derivatives, which often involve leverage, may increase the volatility of the Fund's NAV, and may result in a loss to the Fund.

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MainStay Marketfield Fund is subadvised by Marketfield Asset Management LLC and distributed by NYLIFE Distributors LLC, 169 Lackawanna Avenue, Parsippany, NJ 07054, a wholly owned subsidiary of New York Life Insurance Company. NYLIFE Distributors LLC is a Member FINRA/SIPC.

MainStay Investments® is a registered service mark and name under which New York Life Investment Management LLC does business. MainStay Investments, an indirect subsidiary of New York Life Insurance Company, New York, NY 10010, provides investment advisory products and services.

Neither New York Life Investment Management LLC, its representatives or affiliates provide tax, legal or accounting advice. Please consult your own advisors on these matters.

The risk-free rate represents the interest an investor would expect from an absolutely risk-free investment over a specified period of time.

Obtain the Prospectus

For more information, call 800-MAINSTAY (624-6782) for a prospectus or summary prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.

Commentary

To judge from the financial media, all of the recent gyrations across markets for equities, fixed income, foreign exchange and commodities can be traced directly to the musings of the Federal Reserve Board, and particularly those of its chairman.

The idea that markets are, as always, reacting to a composite of macroeconomic conditions is lost in the popular narrative.
The macroeconomic landscape comprises hundreds of important variables, of which U.S. monetary policy is an important element.

Substantial changes in monetary conditions, often reinforced by changes in Federal Reserve Board (FRB) policy, are indeed important factors in setting the overall macroeconomic tone. Investors would do well to keep the nature of these changes uppermost in their minds when contemplating the role of monetary policy on prospective returns. The sequence of cause and effect is, however, generally opposite to what popular thinking holds.

The best practical rule of thumb in analyzing Federal Reserve policy is to remember that they are invariably late in their actions, particularly around macroeconomic inflection points.

The Federal Reserve Board is a bureaucracy. Bureaucracies cannot forecast. Period.

The process of convincing a room full of people that an important change in macroeconomic conditions is in prospect requires a great deal of data. The evidentiary standard is so high as to guarantee that the point of inflection (and market response) is well past once policy change is agreed upon.

For the past twenty-five years, every important directional change by the Federal Reserve has been between one and two years behind the markets. This tendency, once recognized, makes most efforts to base investment strategies on any anticipated changes in monetary policy something of a fool's errand. Nonetheless, we would expect that the current fashion in financial news, "all Fed, all the time" would persist long after it becomes clear that the practical value of the endeavor is small.

The hysteria surrounding a potential change in liquidity provision by the FRB obscures the fact that general market and macroeconomic conditions are already indicating the sorts of changes that the Fed will eventually be forced to respond to. Their response will occur long after the investment implications of the regime change have been felt.

Recent declines in "safe" assets, particularly in fixed income markets, are fully justified by the better tone in private sector economic activity and the continuing normalization of many of the deficiencies that arose in the aftermath of 2008. In that instance, the Federal Reserve was two years late in addressing the financial consequences stemming from the unwinding property mania.

Bonds have not sold off because the Fed might modify its extraordinary liquidity regime, but because rates of return for more cyclically tied activities continue to improve, drawing investment flows away from the miniscule returns and high risks of investment grade bonds and their proxies. The former explanation, is, however, more readily packaged in thirty-second sound bites and illustrated with stock footage of Chairman Bernanke and the imposing façade of the Federal Reserve building.

The diminishing enthusiasm for fixed income instruments comes on the heels of a colossal cycle of issuance over the past two years. This cycle has created a record overhang of market capitalization in the fixed income space, all of which represents potential sell side pressure as the mood among asset allocator's changes.

This is one of the more misunderstood dynamics of what we refer to as "market economics". Vast increases in the outstanding market capitalization of an asset type or an individual security have the same potentially dangerous repercussions as a simple increase in prices. Both represent the weight (in monetary terms) of potential future supply. It is one reason that the appearance of large sources of new supply normally precedes reversals of long bull markets and the subsequent bear markets that follow. It takes an enormous decline in price to find housing for boatloads of new supply once the owners have begun to morph into sellers. This is the case at all times in every asset class.

By absorbing a great deal of new Treasury issuance, the Federal Reserve has simply opened the floodgates in the IPO markets for fixed income instruments of other sorts. Since 2011, new issuance has more than made up for the Fed's absorption of existing bonds. This leaves the fixed income markets structurally more vulnerable than they might have been with less industrious quantitative easing.

Commentary Cont.

In the late stages of every long bull market, the terminal expansion of supply often comprises assets that look like the primary objects of enthusiasm, but are, in fact, lower quality copies. When shortages of triple A assets arose a decade ago, banks invented new ones by packaging substandard mortgages and dividing their apparent risks into tiered tranches, the highest of which were affirmed as AAA by their irreparably conflicted partners in rating agencies.

At the height of the technology mania, demand for Internet related shares prompted a wave of new issues that clearly avoided the quality control departments of their sponsoring underwriters.

In the present cycle, flows into income products combined with the Fed's purchases to produce an apparent shortage of fixed income vehicles. Markets responded by producing hundreds of billions of new issues from remarkably dubious sources.

It is interesting that the same venues that have produced a raft of fake designer products over the past decades are now following up with financial instruments that look just like high-grade bonds. The latter product is much more lucrative for the producer than a container full of faux designer handbags.

The structural flaws that have arisen across fixed income markets during the past two years have the potential to produce events within that space that have the same shock value as those of 1980, 1987, 1994, 1997-8, 2002 and 2008. Each of these periods was marked by episodes of panic, during which liquidity conditions in certain portions of the capital markets were revealed as inadequate.

Our extensive travels allow us to speak directly with thousands of professional advisors. Our strong sense from these contacts is that little has been done in the way of mitigating risks within the fixed income portions of client portfolios. This is not for want of trying by most advisors, who are able to see the dangers firsthand.

As is the case at the end of all bull markets, there are compelling structural and business factors that keep passengers in the boat as it goes over the falls. In the case of fixed income investing there is a strong compliance and asset allocation bias that still rates this as a relatively riskless portion of one's portfolio. Target date funds that increase bond exposure as one ages look to us like instruments of financial euthanasia. It is deemed necessary, proper and legally compliant for older and more risk adverse investors to continue with large exposures to fixed income, mostly through the agency of mutual funds. This is a story that we do not expect to end well.

With the fixed income risks moving to center stage in the past months, it is becoming clear that the one fundamental, macroeconomic scenario that presents the greatest overall threat to stability is acceleration in activity, particularly in the U.S. economy. This outcome appears to us to be increasingly likely, with Europe beginning to stabilize and Japan accelerating in response to unprecedented monetary and cultural change.

The equity portion of our portfolio remains heavily skewed toward businesses in the developed world that are more sensitive to increases in economic activity, particularly in areas involving capital spending and construction, both residential and commercial. Materials and commodity related sectors, which have been clear laggards since the 2008 lows, should begin exhibiting signs of life.

We are beginning to watch closely for signs of input cost and wage pressures in businesses that have enjoyed cost deflation in both until now. We would not be surprised to see invitations being posted on the U.S. borders rather than armed guards sometime in the next two years.

July 24, 2013

Michael C. Aronstein
President, CIO & Portfolio Manager

The information provided herein represents the opinion of the Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, nor investment advice.