MAINSTAY INVESTMENTS®

MARKETFIELD
ASSET MANAGEMENT

July 31, 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 P: 56064B662
Inception Date: 7/31/07
Benchmark: S&P 500 Index
Net Assets: $12,166M
Number of Holdings: 104

TOP TEN LONG EQUITY HOLDINGS
(AS OF 7/31/13)

Holding	%
iShares MSCI Japan ETF	2.4%
SPDR S&P Regional Banking ETF	2.1%
iShares MSCI Mexico ETF	2.1%
BASF SE (Germany)	1.5%
Facebook, Inc.	1.4%
Apache Corp.	1.4%
Continental AG (Germany)	1.3%
Eagle Materials, Inc.	1.3%
iShares MSCI Italy ETF	1.3%
Fiat SpA (Italy)	1.3%
TOTAL:	16.1%

PORTFOLIO ALLOCATION (AS OF 7/31/13)

Equity Long: 77%
Equity Short: 26%

Option delta not reflected.

★★★★★ OVERALL MORNINGSTAR RATING™ (CLASS I) AMONG 120 LONG-SHORT EQUITY FUNDS AS OF 7/31/13

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 5 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 69 Long-Short Equity Funds for the five-year period.*

Fund Performance

Retail Monthly Average Annual Total Returns as of 7/31/13

	Tickers	YTD	One Year	Three Year	Five Year	Inception
Class A (NAV) (10/08/2012)	MFADX	10.29%	16.72%	11.98%	11.05%	9.63%
Class I (07/31/2007)	MFLDX	10.48%	16.97%	12.25%	11.32%	9.89%
Class P (05/31/2013)	MFLDX	10.48%	16.97%	12.25%	11.32%	9.89%
S&P 500	N/A	19.62%	25.00%	17.74%	8.26%	4.76%**

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

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

	Tickers	YTD	One Year	Three Year	Five Year	Inception
Class I (07/31/2007)	MFLDX	7.51%	12.19%	12.63%	10.86%	9.54%
Class A (NAV) (10/08/2012)	MFADX	7.39%	11.98%	12.37%	10.60%	9.28%
Class P (05/31/2013)	MFPDX	7.51%	12.19%	12.63%	10.86%	9.54%
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 P: 2.94%, 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

Sector	%
Industrial	17.8%
Consumer Discretionary	14.2%
Materials	11.6%
Financials	8.2%
Energy	3.7%

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

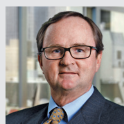
Michael C. Aronstein is Portfolio Manager of MainStay Marketfield Fund. In 2004, Mr. Aronstein joined Oscar Gruss & Son Incorporated, where he held the position of Chief Investment Strategist. Prior to joining Oscar Gruss, Mr. Aronstein was Chief Investment Strategist at Preservation Group, a provider 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 $12,166 million in MainStay Marketfield Fund, $138 million in MainStay VP Marketfield Portfolio & $587 million in The Marketfield Fund, Ltd.; total assets under management are $12,891 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.

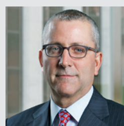
Michael Shaoul
Chairman and CEO

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

Confrontations between governments and markets, which we regard as the defining macroeconomic process of this decade, intensified during the past month. Disruptions in fixed income and foreign exchange markets were the most notable and readily discernable features.

We have argued for years that the forcible restructuring of governments will be the final feature of a long process of balance sheet restoration in all corners of the global economy. To date, much of the private sector in developed countries has undergone the necessary restraints and rationalizations to put their finances on sounder footing. Governments have been laggards in acknowledging arithmetic reality, as it often conflicts with the debt-driven instruments of political power that authorities have come to rely upon.

The forms of political and authoritarian overreach that are being confronted by markets are legion. A quick glance at current news reveals that Ben Bernanke is by no means the only controversial official who chooses to sport a beard.

The violent upheavals in the Middle East, Africa and portions of Asia are born of the economic ineptitude of governments and the unwillingness of newly informed populations to tolerate the consequences.

The impeditive actions of governments come in three basic forms—monetary, fiscal and regulatory. Different parts of the world economy are infected with various degrees of each. In the developed world, monetary adventures are the most prominent governmental excess at work. In developing markets, direct regulatory distortion and their inevitable progeny, official corruption, is the main source of economic harm.

In both instances, the other forms of governmental misfeasance are by no means absent, but merely overshadowed by the most glaring official excesses.

In the instance of emerging market economies, about which we have been vocally skeptical for more than two and a half years, a good deal of our mistrust is based upon a belief that their economies and internal markets have been so distorted by the heavy hands of government as to render them financially unsustainable.

The combination of rapid credit accumulation and regulatory strictures that do not allow the economy and markets to adjust has resulted in a number of serious disruptions in India, Brazil, China, Turkey, Indonesia and other important destinations for U.S. investors. In certain of these markets most of the damage has been manifest in equity prices. In others, currency depreciation has added to the losses for external investors. Falling bond prices and deteriorating credit performance are a more recent addition to the troubles.

In analyzing any system that is burdened by forces that suppress or distort markets, it is crucial to identify the stresses that will build up and the nature of the problems that will arise once these stresses have pushed the system to a breaking point. This process is part of a theoretical discipline that might be termed 'market economics' which arises at the intersection of macroeconomic and market theory. It is a discipline that is yet to be adopted in academia, hence the difficulties with forecasting evidenced by nearly all formally trained economists.

In order for this sort of analysis to be useful to investors, it must be capable of pinpointing the paths of failure that an impaired system will experience. Things that are bound to fail do not all fail in the same manner.

Certain grossly impaired systems have been well understood and the likely paths of their failures articulated for decades. Price controls on rental housing in certain cities provoke shortages and inadequate investment in the most heavily regulated portion of the housing stock. For those fortunate to obtain rental units far below prices that markets would set, turnover rates tend toward zero, depriving the vast majority of potential renters from desirable homes.

The same dynamic works when prices of any consumption good are suppressed by fiat. Artificially low prices discourage production, and, as with rent controls, the supply eventually becomes wholly inadequate. Modern Venezuela is a classic example, where even the most basic necessities are chronically scarce in what was formerly a prosperous nation. When the process is taken to its ultimate extreme, as with North Korea, people literally starve to death once they have consumed every wild animal and edible plant within reach.

These and countless other consequences of heavy handed market distortions imposed by fiat have been well known for decades if not centuries. This has not stopped their repeated use by a variety of dictators, charlatans and supposedly well meaning politicians, whether in Mumbai, Paris or New York, Washington or Buenos Aires. These system failures, while wholly predictable, offer more in the way of tragic illustration as opposed to investment opportunity.

Commentary Cont.

In 2010 we tried to point out that emerging market governments trying to hold down the values of their currencies in the face of large capital inflows from abroad were going to be undone by excessive local liquidity and inflation, both of which would necessitate monetary tightening at just the wrong point in the cycle. China was a particularly glaring example. Their transit from credit boom to bust has been a prominent feature of global markets during the past three years. Our large short positions in emerging market equities over that time frame were posited largely on this theoretical approach to the structural distortions in these economies and their ultimate consequences. Now that the problems in emerging market economies are becoming more widely recognized and their markets have fallen accordingly, our attention is turning elsewhere.

The most glaring distortion of market prices during the past years is undoubtedly the one engineered by the Federal Reserve pertinent to interest rates and bond prices. It is clear to us that this adventure, like all similar efforts to replace market prices with the objectives of government officials, will end in tears. The practical challenge is to understand the path and timing of its failure.

Central banks, by their nature, are invariably late in policy changes. This tendency is endemic to all bureaucracies.

The institutional inertia is more consequential at points of inflection in the overall economic situation. As things change from bad to better or vice-versa, the lagged response of monetary policy tends to increase the volatility of the transition phase by remaining focused on fighting the last war, long after the combatants have gone elsewhere. In other words, central banks do not abandon their policy trends until long after the economic trends that they are worried about have reversed. Their policies then exaggerate the reversals, leading markets to bouts of dramatic and uneven adjustment.

Our feeling about the deliberative processes at work in central banking account for our lack of interest in speeches by Federal Reserve officials, minutes of meetings or the present festival in Wyoming. We are not that interested in the Fed's view of the future because by the time they realize that economic conditions have changed dramatically, the horse will be long out of the barn in market terms.

During all of 2007, we tried to make a similar point, albeit in the opposite direction. For those who remember the period leading up to the 2008 panic, you will recall that the prevailing thought on Wall Street and inside the Federal Reserve regarded any problems associated with housing finance as confined to the small world of subprime mortgages. Any general effects on the economy were easily remediable by further easing. We argued that the die had already been cast, and the Fed needed to ease dramatically rather than gradually in order to prevent a disaster. The fact that 2007 ended with the yield curve still inverted looks absurdly inappropriate with the benefit of hindsight, but at the time, few thought anything of it.

In the present instance, the yield curve is being held at just about the same level as it saw during the first quarter of 2009, during which time 1932 was considered an appropriate analogue for understanding the likely course of the U.S. economy.

Apart from a few steadfast and clinically afflicted pessimists, it is difficult to argue that we are in the same economic straits as we were in early 2009. And yet, monetary policy is, if anything, more accommodative.

The Fed's lagging policy response has yet to produce the clear and severe consequences that are normally needed before they change direction. The incipient and intensifying bear market in bonds does not seem to have instilled sufficient fear.

In fact, there seems to be a belief among some members of the Fed and the media that bonds are suffering because there is a threat that quantitative easing may be discontinued, rather than the fact that it is already done its job of revitalizing economic activity, and perhaps too well.

The sharp decline in bond prices is a phenomenon being played out in every high grade fixed income instrument across the globe. It matters little whether one looks at Germany, Switzerland, Britain or Sweden. In each case, bonds clearly have entered what appear to be serious bear markets.

Our view is that the global economy, led by improvements in developed markets, is in the process of accelerating in response to natural restorative forces and an overabundance of liquid capital. The latter is the enduring result of global central bank policies meant to err on the side of accommodation and inflation. And err they have.

Commentary Cont.

We are expecting to see the first clear signs of migrating and accelerating inflation before this year is out. The idea that central banks are earnestly working to increase the visible aspects of monetary inflation in real economic data will look absurd sometime during the next several years.

Once robust price increases are no longer confined only to capital assets, concerns among fixed income investors will force central banks to rapidly address the overexpansion of money and its inflationary consequences in the real economy. Whether this requires a fixed income crisis on the scale of 2008 is impossible to determine. Suffice it say that the fundamental and structural conditions around fixed income markets are similar to those in mortgage markets in 2007-2008.

The Federal Reserve has, through an inappropriately extensive program of bond buying, enabled record issuance of longer duration, less liquid and less creditworthy high grade bonds which have more than made up for those that have been absorbed by quantitative easing. Many of these, like AAA mortgage derivatives during the last cycle, have been created to fill a need (in this case, yield and duration, rather than an arbitrary rating) that was being unfilled because of official interventions. As these are forced onto markets by customer redemptions, the potential for destabilizing bouts of liquidation is worth keeping in mind.

For those who have been following our writings, you might notice that our recent mentions of inflationary processes beginning in the domestic economy are the first such concerns that we have raised since long before the fund was launched.

Now that the world's central banks have learned to fear the specter of deflation and commentators are loudly declaring the end of the commodity "super cycle" (which, if indeed over, ended five years ago) markets are ripe for a surprise.

In anticipation of a new, long term macroeconomic environment, we have moved the short side of our portfolio more toward slower growing, less volatile but inflation sensitive equities. Our short positions in fixed income, which have been a help to overall results for the past year, have been increased somewhat and expanded to include Europe.

Our equity holdings continue to comprise developed market companies that can take advantage of higher levels of nominal economic activity and have the ability to pass along any labor and input price increases. Our net long exposure to equities remains about 50%.

August 26, 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

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