



MAINSTAY
INVESTMENTS®

Convertible securities

A distinct asset class with attractive risk/reward potential





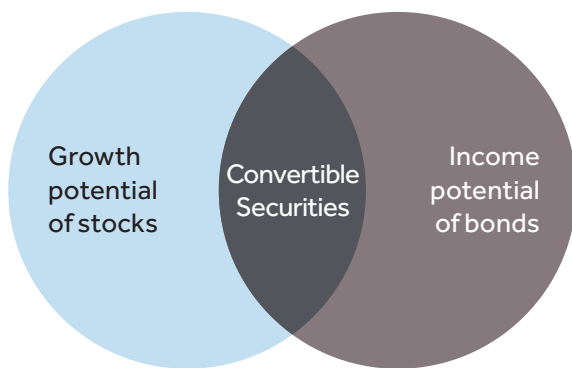
Convertible securities are not a recent Wall Street phenomenon. At the end of the 19th century, U.S. railroad and telephone companies used convertible securities to help finance their growing industries. Over time, the convertible securities market has matured, surpassing \$200 billion in market capitalization as of December 31, 2014, and both investors and corporate leaders alike recognize their unique features. Convertible securities issuers are represented by nearly every economic sector and market capitalization with a variety of security types and characteristics, firmly establishing convertible securities as a distinct asset class in the U.S.

What are convertible securities?

A convertible security is a hybrid security that includes the features of both stocks and bonds in one investment. Convertible securities provide investors with the income stream of bonds as well as the growth potential of stocks. A type of bond issued by a company, a convertible security can be converted into a predetermined number of shares of common stock. Similar to traditional fixed-income instruments, convertible securities pay interest and, in the case of convertible bonds, have a maturity date. Like equities, they offer investors growth opportunities linked to the performance of the company's stock. As the price of the underlying common stock rises, the price of the convertible security also increases. Conversely, the convertible's fixed-income component helps cushion the effect of stock price declines.

Convertibles tend to be more volatile than other fixed-income securities and less volatile than their underlying common stocks. It is important to remember that investment objectives may not be met as the underlying investment options are subject to market risk and fluctuate in value.

The Potential for Growth and Income



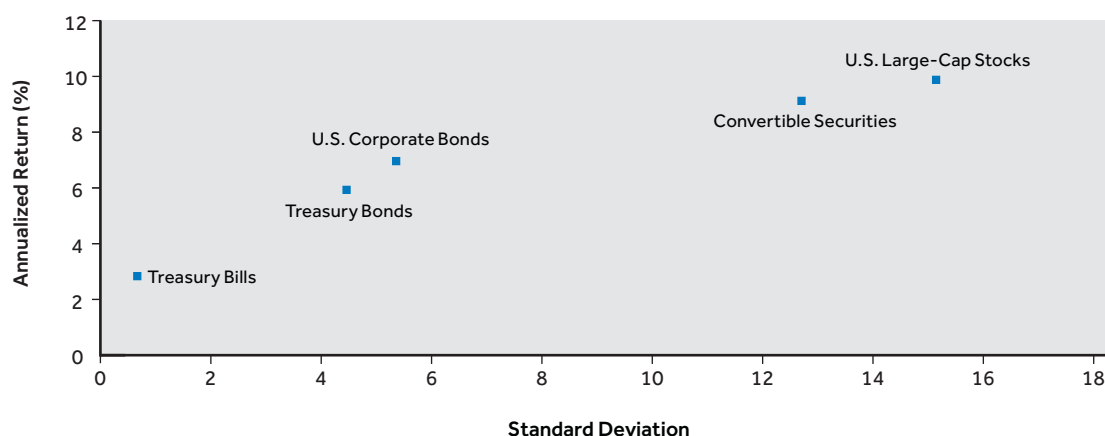
Benefits of Investing in Convertible Securities:

- Historical performance competitive to the S&P 500 Index
- Relatively lower risk than stocks with the income stream of a bond
- Provides diversification and may enhance portfolio efficiency

Potential upside with less downside risk

Investors who use asset allocation as a way to seek the highest risk-adjusted returns may be struggling with how to invest an equity or fixed-income allocation in today's market. If that is the case, consider convertible securities. Convertible securities offer an attractive alternative for investors who want both the potential for stock price appreciation and the interest income of a bond. Historically, convertible securities have provided higher returns than bonds, albeit with greater risk.

Risk and Return Characteristics versus Stocks and Bonds (1/1/95 – 12/31/14)



Index performance is not illustrative of fund performance. It is not possible to invest in an index. For fund performance information current to the most recent month-end, visit mainstayinvestments.com. Past performance is no guarantee of future results.

Source: Morningstar, 6/22/15. Standard deviations are based on monthly total returns and annualized. Large-capitalization stocks are represented by the S&P 500 Index. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. U.S. corporate bonds are represented by the BofA ML U.S. Corporate Master Index. Treasury bonds are represented by the BofA ML U.S. Treasury Master Index. Treasury Bills are represented by the BofA ML U.S. 3-month T-Bill Index. Results assume reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

U.S. Treasury Bills are backed by the full faith and credit of the U.S. government, and are guaranteed as to the timely payment of principal and interest if held to maturity. The value of equity investments are more volatile than the other securities shown in this chart.

A compelling case for investing in convertible securities

1. Competitive performance relative to the S&P 500 Index, with less risk

The uncertain economic environment has born a new reality for many investors. They have realized that principal protection is key to long-term performance. In fact, a 50% loss in principal requires a subsequent return of 100% to recuperate the loss. From this standpoint, convertible securities provide an advantage for those investors who have taken refuge in bonds and cash, thus undermining their ability to help meet long-term goals.

Although past performance is no guarantee of future results, convertible securities have historically delivered long-term competitive returns, typically with less volatility than the S&P 500 Index.

Competitive Performance Relative to the S&P 500 (for periods ended 12/31/14)

Annualized Returns	3 Years	5 Years	10 Years	20 Years
Convertible Securities	16.27%	11.72%	7.11%	9.11%
S&P 500	20.41	15.45	7.67	9.85

...With Less Risk

Standard Deviation	3 Years	5 Years	10 Years	20 Years
Convertible Securities	7.68%	9.65%	12.54%	12.70%
S&P 500	9.10	13.00	14.67	15.15

Source: Morningstar, 6/22/15. Standard deviation is a measurement of a portfolio's total volatility (risk). A higher standard deviation indicates a greater degree of risk. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. Results assume reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index. Past performance is no guarantee of future results.

Over the 20-year period from 1/1/95 to 12/31/14, convertible securities posted attractive risk-adjusted returns. Convertible securities have also outperformed corporate bonds and government bonds, but with a higher standard deviation.

Long-Term Returns and Standard Deviation, 1/1/95 – 12/31/14

Asset Class	Annualized Return	Standard Deviation
Convertible Securities	9.11%	12.70%
S&P 500 TR	9.85	15.15
U.S. Corporate Bonds	6.97	5.36
U.S. Treasury Bonds	5.92	4.47

Source: Morningstar, 6/22/15. Standard deviation is a measurement of a portfolio's volatility (risk). Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. U.S. corporate bonds are represented by the BofA ML U.S. Corporate Master Index. Treasury bonds are represented by the BofA ML U.S. Treasury Master Index. Results assume reinvestment of all capital gain and dividend distributions.

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2. Provided effective diversification and enhanced portfolio efficiency

Convertible securities have historically shown a relatively high correlation with U.S. and international stocks, regardless of market capitalization. However, they have had a much lower correlation with corporate bonds and were negatively correlated with government bonds, implying that convertible securities may provide effective diversification for many portfolios, particularly those that are fixed-income oriented.

Asset Class	Correlation with Convertible Securities (20 years ended 12/31/14)
U.S. Large-Capitalization Stocks	0.83
U.S. Mid-Capitalization Stocks	0.90
U.S. Small-Capitalization Stocks	0.86
International Stocks	0.70
U.S. Corporate Bonds	0.37
Treasury Bonds	-0.20
Treasury Bills	-0.14

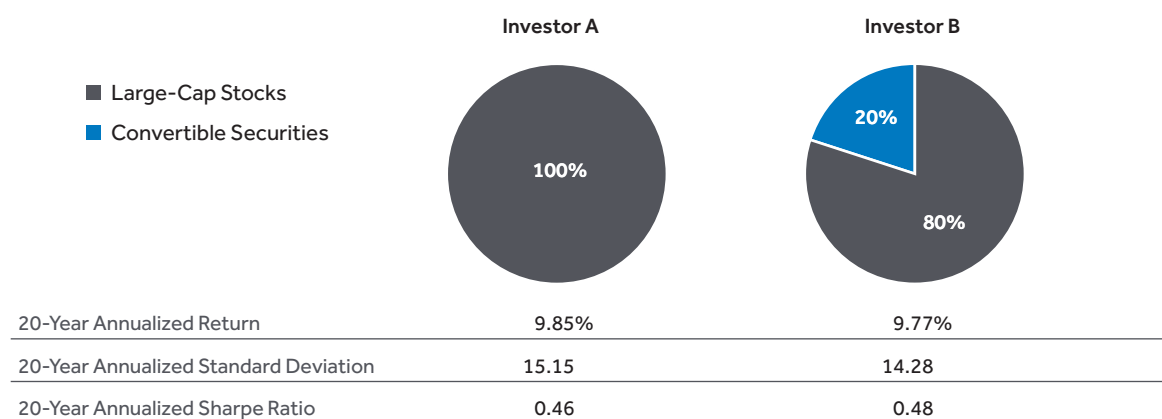
Source: Morningstar, 6/22/15. U.S. large-capitalization stocks are represented by the S&P 500 Index. U.S. mid-capitalization stocks are represented by the Russell MidCap Index. U.S. small-capitalization stocks are represented by the Russell 2000 Index. International stocks are represented by the Morgan Stanley Capital International EAFE Index. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. U.S. corporate bonds are represented by the BofA ML U.S. Corporate Master Index. Treasury bonds are represented by the BofA ML U.S. Treasury Master Index. Treasury Bills are represented by the BofA ML U.S. 3-month T-Bill Index. Results assume reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

Correlation is a statistical measure of how two securities move in relation to each other. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep in the same direction. Alternatively, perfect negative correlation (a correlation coefficient of -1) means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random.

3. Help achieve long-term goals

The following illustration shows that adding convertible securities to a typical portfolio, rebalanced annually, not only increased diversification but also historically has lowered overall portfolio risk exposure while providing comparable returns. Of course, past performance cannot guarantee future results.

Growth Allocation



Source: MPI Stylus, 6/22/15. Data for period ended 12/31/14.

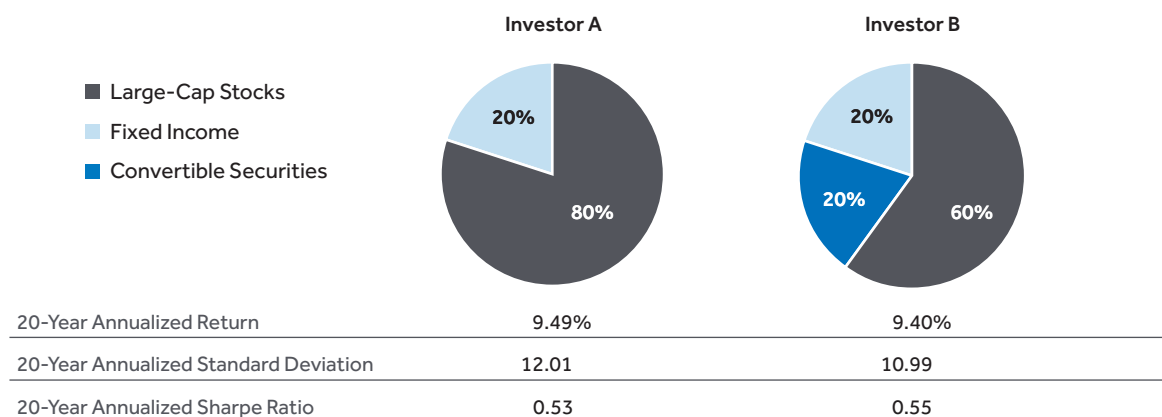
U.S. large-capitalization stocks are represented by the S&P 500 Index. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. Results assume reinvestment of all capital gain and dividend distributions. Sharpe Ratio is a measure risk-adjusted performance. An investment cannot be made directly into an index.

Investor A: Has a typical growth portfolio consisting of 100% large-cap stocks.

Investor B: Diversified holdings into large-cap stocks and 20% convertible securities.

Over the 20-year period, this portfolio generated more attractive risk-adjusted results than Investor A's portfolio, as measured by Sharpe Ratio.

Moderate Growth Allocation



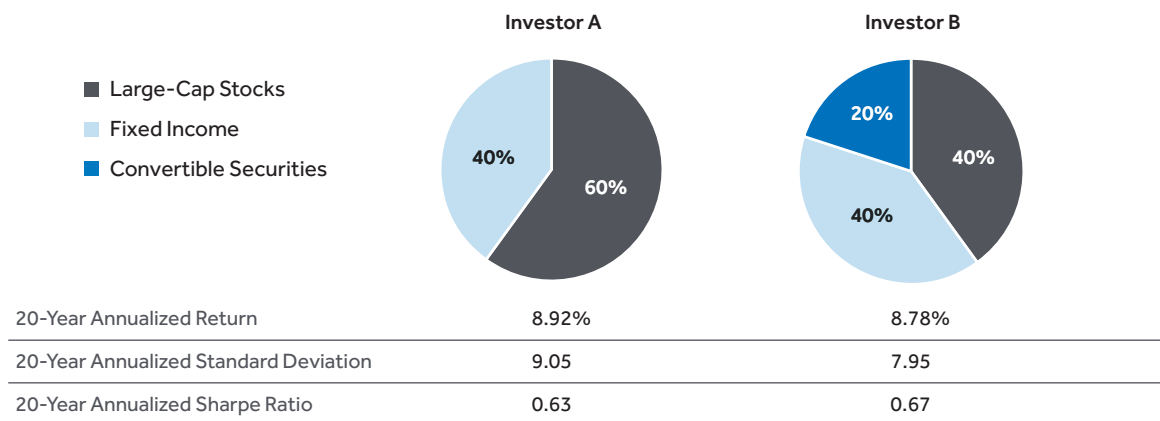
Source: MPI Stylus, 6/22/15. Data for period ended 12/31/14.

U.S. large-capitalization stocks are represented by the S&P 500 Index. Fixed Income is represented by the Barclay's U.S. Aggregate Bond Index. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. Results assume reinvestment of all capital gain and dividend distributions. Sharpe Ratio is a measure risk-adjusted performance. An investment cannot be made directly into an index.

Investor A: Has a moderate growth portfolio comprised of 80% large-cap stocks and 20% fixed income (bonds).

Investor B: Has a portfolio consisting of 60% large-cap stocks, 20% bonds, and 20% convertible securities. Over the 20-year period, this portfolio generated more attractive risk-adjusted results than Investor A's portfolio, as measured by Sharpe Ratio.

Moderate Allocation



Source: MPI Stylus, 6/22/15. Data for period ended 12/31/14.

U.S. large-capitalization stocks are represented by the S&P 500 Index. Fixed income is represented by the Barclays U.S. Aggregate Bond Index. Convertible securities are represented by the BofA ML All Convertibles All Qualities Index. Results assume reinvestment of all capital gain and dividend distributions. Sharpe Ratio is a measure risk-adjusted performance. An investment cannot be made directly into an index.

Investor A: Has a moderate portfolio consisting of 60% large-cap stocks and 40% fixed income.

Investor B: Has a portfolio comprised of 40% large-cap stocks, 40% bonds, and 20% convertible securities. Over the 20-year period, this portfolio generated more attractive risk-adjusted results than Investor A's portfolio, as measured by Sharpe Ratio.

Who Should Consider Investing in Convertible Securities?

Investors who:

- Seek to achieve investment returns comparable to common stocks, but with potentially lower risk.
- Need to diversify a portfolio overweighted in stocks.
- Are looking for current income.
- Wish to capture a portion of stock market appreciation.
- Are looking for the potential to achieve downside preservation.

The importance of security selection

As with any investment class, some convertible securities are more compelling than others, and may provide better opportunity and value within the asset class. Careful investors will look for portfolio managers who have a disciplined investment process that blends both growth and value equity disciplines with fixed-income analysis into a carefully structured convertible portfolio.

MainStay Convertible Bond Fund

This fund's investment team employs a disciplined investment process and rigorous fundamental research to identify convertible securities with a positive risk/reward profile relative to the underlying equity.

Investment philosophy

The Fund seeks to maximize total return by outperforming the market and competition. The team uses full analysis of the capital structure to determine which securities provide the best reward/risk trade-off. As part of the team's unique approach to convertible investing, they evaluate the downside and upside potential for each convertible using proprietary convertible valuation models and apply fundamental analysis of equity securities.

Investment process

MacKay Shields' bottom-up convertible approach looks to identify the merits of convertibles relative to the underlying common stock. Analysis of convertible securities includes scrutinizing the call protection, and straight bond value for the underlying or similar securities. The team's disciplined investment process includes strict buy and sell disciplines.

Highlights

- Relative to the S&P 500 Index, convertible securities have had solid risk-adjusted results over the last 20 years (1/1/95 - 12/31/14). (Source: Morningstar, 6/22/15)
- Like a bond investment, convertible securities provide an income stream, but with potentially higher total returns.
- Convertible securities currently surpass \$200 billion in total market capitalization, firmly establishing them as a distinct asset class.
- Convertible securities provide effective diversification for many types of portfolios.
- With convertible securities in the mainstream as an accepted asset class, investors continue to benefit from having an expanded investment opportunity set.
- Convertible securities can be relatively conservative investment vehicles that help investors gain exposure to the equity market.

Before you invest

Investment objectives may not be met as the underlying investment options are subject to market risk and fluctuate in value. Please keep in mind that there are fees and expenses associated with investing in managed accounts.

Generally, convertible securities offer lower interest or dividend yields than non-convertible securities of similar quality and less potential for gains or capital appreciation in a rising stock market than equity securities. They tend to be more volatile than other fixed-income securities, and the market for convertible securities may be less liquid than the market for common stocks or bonds.

Issuers of convertible securities may not be as financially strong as those issuing securities with higher credit ratings and may be more vulnerable to changes in the economy.

High-yield securities (commonly referred to as “junk bonds”) are generally considered speculative because they present a greater risk of loss than higher-quality debt securities and may be subject to greater price volatility. Foreign securities may be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political and economic instability, less publicly available information, and changes in tax or currency laws or monetary policy. These risks are likely to be greater for emerging markets than in developed markets.

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.

The S&P 500 Index is an unmanaged index and is widely regarded as the standard for measuring large-cap U.S. stock market performance. The Russell Midcap Index is constructed to provide a comprehensive and unbiased barometer for the mid-cap segment of the U.S. equity universe and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap opportunity set. The Russell 2000 Index is constructed to provide a comprehensive and unbiased barometer for the small-cap segment of the U.S. equity universe and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The BofA ML All Convertibles All Qualities Index includes convertible securities with a minimum issue size of \$50 million; U.S. dollar denominated; sold into the U.S. market and publicly traded in the U.S.; convertible into U.S. dollar-denominated common stock, ADRs or cash equivalent. The Morgan Stanley Capital International (MSCI) Europe, Australasia, and Far East Index—the EAFE® Index—is an unmanaged, capitalization-weighted index containing approximately 985 equity securities of companies located outside the United States. The Barclays U.S. Aggregate Bond Index is a benchmark index composed of U.S. securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$250 million. The BofA ML U.S. Corporate Master Index tracks the performance of investment grade corporate debt publicly issued in the U.S. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$250 million. The BofA ML U.S. Treasury Master Index tracks the performance of sovereign debt publicly issued by the U.S. government in its domestic market. Qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 billion. The BofA ML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. Results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

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For more information about MainStay Funds®, 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.

For more information

800-MAINSTAY (624-6782)

    mainstayinvestments.com

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