3Q 2015 FUND COMMENTARY

MainStay Income Builder Fund

Tickers | A: MTRAX | Investor: MTINX | B: MKTRX | C: MCTRX | I: MTOIX | R2: MTXRX

Fund Overview

Objective

The Fund seeks current income consistent with reasonable opportunity for future growth of capital and income.

Strategy & Process

The Fund is a diversified portfolio of global stocks and bonds with a broad, flexible investment mandate, allowing it to shift asset allocations based on market conditions. Two distinct, complementary investment teams manage the Fund. MacKay Shields LLC subadvises the fixed-income sleeve, and Epoch Investment Partners, Inc. subadvises what we believe to be the equity sleeve. The equity sleeve invests in quality companies that generate free cash flow and use their cash flow to provide shareholder yield. The fixed-income sleeve invests opportunistically in a diverse range of debt instruments from U.S. and foreign issuers, including sovereign debt, corporate bonds, asset-backed securities, and preferred stock. The overall asset allocation between stocks and bonds is overseen by a team of macroeconomic and investment experts.

There can be no guarantee that investment objectives will be met.

Investment Subadvisors

MacKay Shields

EPOCH

To subscribe to this quarterly commentary or for additional information, visit: **mainstayinvestments.com/insights**

Quarterly Highlights

- Uncertainty over slower growth in China, falling energy, and commodities prices, and the timing of a U.S. Federal Reserve rate hike weakened market sentiment throughout the third quarter.
- For the quarter, MainStay Income Builder Fund Class A shares returned -5.19% versus its benchmark, the MSCI World Index at -8.45%.
- Relative outperformance was driven by strong stock selection across multiple sectors to include: utilities, consumer staples, financials, and industrials. The Fund's meaningful allocation to the utilities sector also contributed. Partially offsetting these results was the Fund's short duration posture and allocation to high-yield bonds.
- We believe the global economy is gradually improving. Within fixed income, the Fund is positioned towards the higher quality segments of the high-yield bond space, as well as bank loans. Within equities, the Fund remains invested in companies that have proven they can growth their free cash flow, even in a tepid economic environment.

Team Overview

MacKay Shields LLC (MS)

New York, New York

MacKay Shields LLC is an affiliate of New York Life Investment Management LLC. MacKay Shields has specialized in money management for over 70 years, and has approximately $90.2 billion in assets under management.

Epoch Investment Partners, Inc. (EIP)

New York, New York

Founded in April 2004 by experienced professionals, Epoch Investment Partners is a global asset manage-ment firm with approximately $41.5 billion in assets under management.

Dan Roberts, PhD (MS) — Fund Manager since 2009, with 36 years of industry experience.

Louis Cohen, CFA (MS) — Fund Manager since 2010, with 37 years of industry experience.

Michael Kimble, CFA (MS) — Fund Manager since 2009, with 31 years of industry experience.

Taylor Wagenseil (MS) — Fund Manager since 2010, with 36 years of industry experience.

Eric Sappenfield (EIP) — Fund Manager since 2009, with 30 years of industry experience.

Michael Welhoelter, CFA (EIP) — Fund Manager since 2009, with 29 years of industry experience.

William Priest, CFA (EIP) — Fund Manager since 2009, with 50 years of industry experience.

John Tobin, PhD, CFA (EIP) — Fund Manager since 2014, with 34 years of industry experience.

Kera Van Valen, CFA (EIP) — Fund Manager since 2014, with 14 years of industry experience.

Market Overview and Outlook

Uncertainty over slower growth in China, falling energy, and commodities prices and the timing of a U.S. Federal Reserve rate hike weakened market sentiment throughout the third quarter. Seasonally low market liquidity exacerbated the price volatility witnessed in both the debt and equity markets, but selling pressure carried over into September. Weakness in China prompted officials to devalue its currency in an attempt to boost export growth in the view of some market participants. This surprise move fueled a panic-like sell-off in risky assets across world markets during the liquidity-starved month of August.

We can say with some confidence, however, that the negative impact of a decline in China is likely to be most acute for countries and companies with deeper economic ties to the country. While the China story is not new, a flash Purchasing Managers' Indices (PMI) report registered its weakest results since 2009. The U.S. economy, on the other hand, is relatively independent of economic developments in China, other than via the transmission mechanism of (lower) commodity prices, which should have a largely positive impact on the broader U.S. economy. In the U.S., the labor market continued to improve, the housing market gained momentum, and consumer spending behavior remained healthy. Therefore, we do not believe that the China slowdown story and imbalances in the emerging markets will be sufficient to derail the U.S. or core European economies.

Concerns around the timing of a U.S. rate hike further fed market anxiety, which did not abate when the Fed did not raise rates on September 17th. Although Fed inaction was largely reflected in the pricing of Fed funds futures, queasy markets reacted poorly to the FOMC's inaction. The Fed cited global financial conditions, yet hinted at a hike before year-end.

We believe that the U.S. economy is growing at a moderate pace and is likely to continue to improve. Certainly, the pace of the current expansion has been modest and longer than normal, resulting in an extended period of low inflation and low interest rates. We believe that the current domestic economic environment remains favorable for credit. We expect credit spreads to tighten over the remainder of the economic expansion given our macro-economic view.

Outside of the U.S. market, we see developing Asia—especially Taiwan and Korea—as having deep manufacturing ties with Beijing, and therefore will remain under pressure for the near-term. The rise in idiosyncratic risk in Russia, Turkey, South Africa, and Brazil also compound the near-term problems, although a number of Eastern European names were not impacted. Developed Europe, however, will benefit from the drop in the euro (improving exports) and energy prices, while the China slowdown will present some drag to companies and countries that export to Beijing.

Portfolio Composition

Corporate Bonds	34.9%
Foreign Common Stocks	24.8
U.S. Common Stocks	22.4
Foreign Corporate Bonds	4.8
Loan Assignments and Participations	4.3
U.S. Government and Federal Agencies	0.6
Asset-Backed Securities	0.5
Mortgage-Backed Securities	0.3
Convertible Bonds	0.2
Futures Contracts	-0.5
Cash and Other Assets (less liabilities)	7.7

Top Sectors

Financials	17.9%
Consumer Non-Cyclical	16.6
Communications	12.2
Energy	10.0
Consumer Cyclical	9.3

Top Ten Holdings

National Grid PLC	1.0%
Philip Morris International, Inc.	1.0
AT&T, Inc.	0.9
BCE, Inc.	0.9
TECO Energy, Inc.	0.8
Welltower, Inc. REIT	0.8
Verizon Communications, Inc.	0.8
Vodafone Group PLC	0.8
Reynolds American, Inc.	0.8
Muenchener Rueckversicherungs-Gesellschaft A.G.	0.8

Portfolio data as of 9/30/15. Percentages based on total net assets and may change daily.

Market Overview and Outlook (continued)

Within equities, companies with no earnings or free cash flow whose stock prices have excelled in an environment of rising valuations fueled by quantitative easing will suffer in an environment where the effect of quantitative easing (QE) is diminishing, valuations are contracting, and earnings and dividends will be needed to support stock prices. Companies that generate cash will outperform those that need to raise capital, as the opportunities to borrow or sell shares may be fewer. This should be an environment where active managers who are focused on company fundamentals should succeed. We continue to focus on companies we think can generate free cash flow, even in a slow-growth environment, and allocate that cash effectively for shareholder benefit.

Fund Performance and Positioning

For the quarter, MainStay Income Builder Fund outperformed its benchmark, the MSCI World Index. The Fund's equity sleeve, managed by Epoch Investment Partners, benefitted from strong stock selection across multiple sectors to include: utilities, consumer staples, financials, and industrials. The Fund's meaningful allocation to the utilities sector also contributed as the broader equity markets declined more heavily. Performance was partially offset by a larger-than-benchmark weight in energy and a smaller-than-benchmark weight in information technology.

The largest individual contributors included several utilities. TECO is mainly a Florida-based regulated utility company with a small regulated gas utility in New Mexico. TECO agreed to be acquired at a premium by Emera, Inc., a Nova Scotia-based utility. Additionally, in late September, TECO divested its coal mining unit. We expect the deal closes around mid-2016, and TECO is committed to paying its dividend until then. Utilities WEC Energy Group and Ameren Corporation were also strong contributors during the period. Tobacco companies also contributed to results. Pricing power, cost savings, and relatively low capital expenditures drive attractive cash flow generation for the entire tobacco space, allowing for attractive and growing dividends.

The largest individual detractors included stocks from the weakest areas of the market: materials and energy. In the materials sector, Potash Corporation of Saskatchewan is one of the largest producers of the crop nutrient potash, as well as a major producer of nitrogen and phosphate fertilizers. Potash Corp. shares have traded steadily lower this year on concerns about Chinese demand, industry over-capacity, and weak product pricing. Despite the increasingly negative market sentiment, the company's actual performance has been resilient in terms of operating earnings, operating margin, net earnings, cash flow, and free cash flow. The balance sheet is strong with modest leverage and debt ratings at A3/A-, and management remains committed to its current dividend policy. In the energy sector, Kinder Morgan is the largest energy infrastructure company in the U.S. Shares underperformed due to falling oil and natural gas prices, leading to investor concerns about the entire midstream segment. The company has limited direct commodity price exposure, as greater than 85% of its EBDA is fee-based. KMI remains committed to paying and growing its dividend.

Fund Statistics

Total Net Assets	$1.5B
P/E Ratio (1-Yr. Estimated)	15.12
P/B Ratio	1.91
Return on Equity	28.91
Weighted Average Market Cap. ($)	104.09B
Median Market Cap. ($)	40.61B
Effective Duration	3.3 Yrs
Number of Holdings	489
Annual Turnover Rate (%)	15

Fund Expenses

	Gross/Net
Class A*	1.01%
Investor Class	1.23
Class B	1.98
Class C	1.98
Class I	0.76
Class R2	1.11

** For the DCIO/RIA markets, Class A shares are available only to existing Retirement Plans whose Fund schedules included Class A shares prior to September 30, 2008.*

The P/E Ratio (price-to-earnings) denotes the weighted average of all the P/Es of the securities in the Fund's portfolio. The P/B Ratio (price-to-book) is the weighted average of all the P/Bs of the securities in the Fund's portfolio. Return on Equity (ROE) is the weighted average of all the ROEs of the securities in the Fund's portfolio. ROE is calculated by dividing net income by book value. Effective Duration provides a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. The Annual Turnover Rate is as of the most recent annual shareholder report.

Class I shares are generally available only to corporate and institutional investors.

Fund Performance and Positioning (continued)

Within the fixed income sleeve, MacKay Shields' Global Fixed Income team strategy has been to maintain positions in credit, including high yield and to a lesser degree bank loans, combined with a short duration posture and yield curve flattening bias. This positioning fell out of favor during the quarter. Hard asset industries such as energy and metals & mining were among the laggards in the portfolio, while higher quality financials and slightly longer duration bonds performed well. We did slightly reduce our exposure to weaker credit profiles within the energy sector. The senior loan market also was not immune to the problems facing risky assets, including seasonal illiquidity, severe pressure in fixed rate high yield and volatile commodity and asset prices globally. Loans, however, remain in positive territory year-to-date. We believe that senior loans are likely to weather the energy and metals/mining storm challenging high-yield bond counterparts from a default and recovery perspective.

The credit markets were challenged by large retail outflows from ETFs and mutual funds during the end of the quarter that negatively impacted the prices on large, liquid issuers. As we have observed during prior bouts of volatility, ETFs and mutual funds tend to sell their most liquid names during redemption waves, leaving smaller names relatively untarnished and, in many cases, with stale prices. As markets stabilize, this highly technical situation tends to reverse.

Importantly, we remain encouraged by not observing any meaningful earnings disappointments or economic developments that would indicate a need to change our view that U.S. corporate credit fundamentals are sound and that credit-sensitive bonds continue to offer good relative value. We are constructive on both U.S. growth and valuations within U.S. credit markets, and we do not believe the domestic economic cycle has reached a turning point, which would indicate a need to reduce risk postures. In fact, investor angst, as reflected in declining prices and widening spreads, may be overcompensating for fundamentals at present.

Average Annual Total Returns Period ended 9/30/15

		1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
Class A (1/3/95)	(NAV)	–4.63%	6.94%	8.91%	5.64%	8.00%
	(max. 5.5% load)	–9.87	4.94	7.68	5.04	7.78
Class I (1/2/04)	(no load)	–4.40	7.19	9.18	6.02	8.36
MSCI World Index		–5.09	8.58	8.29	4.73	7.03**
Income Builder Composite Index		–0.98	5.23	5.90	5.04	7.19**

**Inception date used is for Fund Inception (12/29/87).

Average annual total returns include the change in share price and reinvestment of dividends and capital gain distributions. Performance for Class A and I shares includes the historical performance of Class B shares from inception (12/29/87) through 12/31/94 for Class A and through 12/31/03 for Class I, adjusted to reflect the applicable sales charge (or CDSC) and fees and expenses.

Performance data quoted represents past performance. Past performance is no guarantee of future results. Due to market volatility, current performance may be less or higher than the figures shown. Investment return and principal value will fluctuate, so that upon redemption, shares may be worth more or less than their original cost. For performance information current to the most recent month-end, visit our web site at mainstayinvestments.com.

The opinions expressed are those of MacKay Shields LLC (MS) and Epoch Investment Partners, Inc. (EIP) as of the date of this report and are subject to change. There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

Before you invest

The principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value. Small and mid-cap stocks are often more volatile and less liquid than large-cap stocks. Smaller companies generally face higher risks due to their limited product lines, markets, and financial resources. High-yield securities ("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. Floating rate loans are generally considered to have speculative characteristics that involve default risk of principal and interest, collateral impairment, borrower industry concentration, and limited liquidity.

Foreign securities can be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political 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. Issuers of convertible securities may not be as financially strong as those issuing securities with higher credit ratings and may be more vulnerable to economic changes. The Fund may invest in derivatives, which may increase the Fund's net asset value and may result in a loss to the Fund. The principal risk of mortgage dollar rolls is that the security the Fund receives at the end of the transaction may be worth less than the security the Fund sold to the same counterparty at the beginning of the transaction.

Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. The principal risk of mortgage-related and asset-backed securities is that underlying debt may be prepaid ahead of schedule, if interest rates fall, thereby reducing the value of the Fund's investment. If interest rates rise, less of the debt may be prepaid and the Fund may lose money. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner.

The Morgan Stanley Capital International World Index—the MSCI World Index—is a free float-adjusted market capitalization-weighted index that is designed to measure the equity performance of 24 developed markets. The Income Builder Composite Index is comprised of the MSCI World Index (described above) and the Barclays U.S. Aggregate Bond Index weighted 50%/50%, respectively. The Barclays U.S. Aggregate Bond Index is a broad-based index that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasurys, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities, with maturities of at least one year. Index results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

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.

New York Life Investments engages the services of federally registered advisors to subadvise the Funds. MacKay Shields LLC is an affiliate of New York Life Investments. Epoch Investment Partners, Inc. is unaffiliated with New York Life Investments.

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. The MainStay Funds® are managed by New York Life Investment 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.

Not FDIC/NCUA Insured	Not a Deposit	May Lose Value	No Bank Guarantee	Not Insured by Any Government Agency