



## MAINSTAY MARKETFIELD FUND OCTOBER 31, 2012

### 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.

### FUND FACTS

#### FUND STATISTICS

CUSIP:.....Class A: 56064B878  
.....Investor Class: 56064B886  
.....Class C: 56064B860  
.....Class I: 56064B852  
.....Class R: 56064B845  
Inception Date.....7/31/07  
Benchmark.....S&P 500 Index  
Net Assets.....\$3,322M  
Number of Holdings.....90

#### TOP TEN LONG HOLDINGS

(AS OF 10/31/12)

SPDR S&P Regional Banking ETF ..... 2.66%  
iShares Dow Jones Transport Avg. ETF .. 2.60%  
USG Corp. .... 2.52%  
iShares MSCI Mexico..... 2.31%  
Eagle Materials Inc. .... 2.20%  
BASF SE (Germany) ..... 1.97%  
General Electric Co..... 1.94%  
Wolseley PLC (UK) ..... 1.89%  
Sherwin-Williams Co..... 1.81%  
Union Pacific Corp..... 1.78%  
TOTAL: ..... 21.68%

#### PORTFOLIO ALLOCATION

(AS OF 10/31/12)

Equity Portfolio Long .....86%  
Equity Portfolio Short.....35%

### ★★★★★ OVERALL MORNINGSTAR RATING™ (CLASS I)

#### AMONG 83 LONG-SHORT EQUITY FUNDS AS OF 10/31/12

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.

### FUND PERFORMANCE

#### MONTHLY AVERAGE ANNUAL TOTAL RETURNS AS OF 10/31/2012 WITH SALES CHARGES

	Tickers	One Year	Three Year	Five Year	Inception
Class A (10/08/2012)	MFADX	7.65%	10.52%	7.24%	7.37%
Class INV (10/08/2012)	MFNDX	7.58%	10.50%	7.23%	7.35%
Class C (10/08/2012)	MFCDX	12.05%	11.78%	7.65%	7.71%
Class I (07/31/2007)	MFLDX	14.11%	12.88%	8.72%	8.78%
Class R2 (10/08/2012)	MFRDX	13.74%	12.49%	8.34%	8.41%
S&P 500	N/A	15.21%	13.21%	0.36%	1.64%*

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

#### QUARTERLY AVERAGE ANNUAL TOTAL RETURNS AS OF 9/30/12 WITH SALES CHARGES

	Tickers	One Year	Three Year	Five Year	Inception
Class A (10/08/2012)	MFADX	11.83%	8.94%	7.63%	7.48%
Class INV (10/08/2012)	MFNDX	11.83%	8.94%	7.63%	7.48%
Class C (10/08/2012)	MFCDX	16.46%	10.18%	8.04%	7.85%
Class I (07/31/2007)	MFLDX	18.64%	11.29%	9.12%	8.93%
Class R2 (10/08/2012)	MFRDX	18.22%	10.90%	8.74%	8.55%
S&P 500	N/A	30.20%	13.20%	1.05%	2.03%*

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

**Total Annual Fund Operating Expenses: Class A: 2.70%, Investor Class: 2.86%, Class C: 3.61%, and Class I: 2.45%; 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, Investor, R2 and C shares, first offered 10/8/12, includes the historical performance of Class I shares from inception through 10/31/12, adjusted to reflect the applicable sales charge (or CDSC) 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.

### TOP FIVE SECTORS—NET

Industrial.....	27.94%
Consumer Discretionary.....	24.98%
Basic Materials.....	6.50%
Consumer Staples.....	3.09%
Energy.....	2.00%

*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.*

## MAINSTAY MARKETFIELD FUND OCTOBER 31, 2012

## MANAGEMENT TEAM



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

Michael C. Aronstein is Portfolio Manager of the 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 \$3,322 million in MainStay Marketfield Fund and \$491 million in The Marketfield Fund, Ltd.; total assets under management are \$3,813 million.



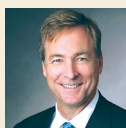
**Myles D. Gillespie**  
Principal, Senior Trader

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 and 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).



**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.



**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 ten 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.



## MAINSTAY MARKETFIELD FUND OCTOBER 31, 2012

### 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 and 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 involves the risk that losses may exceed the original amount invested, however a mutual fund investor's risk is limited to the amount invested in a fund. 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. The investment in options is not suitable for all investors. Investments in absolute return strategies are not intended to outperform stocks and bonds during strong market rallies.

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The 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 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 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 contain this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.



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## OCTOBER 2012 COMMENTARY

We have long tried to avoid making portfolio decisions based upon prospective events where we do not possess any professional forecasting insights about the outcomes. This category of factors includes elections, threats of war, judicial decisions, weather and central bank policy decisions.

In all of these instances, we have, along with tens of millions of others, opinions about potential outcomes and effects. These opinions are, however, not differentiable or uniquely informed to a degree that justifies our actually charging clients fees for their application.

We have a rule in our policy meetings that anyone making mention of weather forecasts as basis for investment opinion immediately draws a penalty flag. Knowing what you do and don't know is the basis of all professional competence in our business and most all others.

Markets are quite efficient when incorporating the odds and potential outcomes surrounding large scale, headline events that have yet to come to pass. Among the countless outcomes of the Greek-German debt negotiations, we have no uniquely informed insight into which might be settled upon. That said, we understand that the Greek economy is incapable of producing revenues sufficient to honor the government's debts at anywhere near their real values. The same may be said of public pension plans in the states of Illinois or California. These are both matters of simple arithmetic and economic law about which we are well certain. How the bodies politic in both regions try to address the situation is not knowable to a degree that would allow for any meaningful investment advantages. That said, when decisions are actually made about the apportionment of burdens from historical promises that cannot be kept, we are often presented with opportunities where there is a general misperception about the longer-range consequences of the political solution.

This was the case after the markets' collapse in the 4th quarter of 2008, when, prior to the Federal Reserve's dramatic balance sheet expansion, we were uncertain as to whether or not they would act. We were open in admitting that if they did not, the seizures in capital markets would lead to runs on all forms of depository entities and a real 1930s like depression would ensue.

The obverse was also true i.e., if the Federal Reserve Board aggressively expanded its balance sheet and restored funding liquidity to the capital markets, a bull market in risk assets and a recovery in business activity would proceed. Once they did embark on QE I, we viewed the restorative process as close to a long-term certainty. Markets remained obsessed with the ongoing headlines of collapsing economic activity and the climactic liquidation everything pertaining to real estate. As a consequence, all risk assets remained seriously underpriced, affording opportunities for unusual return with modest risks throughout 2009 and much of 2010.

The process of applying our convictions about long run outcomes in markets at points where those convictions are called into question by headline events that temporarily contradict them forms the basis of our investing style.

Market participants, driven by the pre-adolescent attention spans of financial media, have a strong tendency to over-emphasize the importance of immediate, unknowable events (where the probabilities of nearly all potential outcomes are reasonably well incorporated into prices) at the expense of long-term, highly probable resolutions that only seem to get attention and market response when they finally arrive on the front pages. This is a form of market inefficiency that we believe to be exploitable.

Because we do not try to incorporate political predictions into our decision-making processes does not mean that we ignore political outcomes once they are established. The recent elections in the U.S. are a case in point. We, like everyone else had our opinions and rooting interests. These were not incorporated into our investment thinking until after the results were in and there were facts to consider.

Now that there are results rather than possibilities, we do see certain longer-term and secondary consequences that markets seem to be slow in recognizing.

The first point we would make is that calling the reckoning point ahead a "fiscal cliff" is misleading. To the extent that people are in need of catch phrases to substitute for more thoughtful analysis, a more accurate geological nickname for the upcoming policy shift would be "tax shaft".

Almost all of the consequences of the automatic changes that will take place at the turn of the year will derive from altering the tax code that has been in place for the past decade. The first order effects will fall on two main categories of taxpayers—high earners and income oriented investors. The idea that the tax changes are targeted to the "rich" is nonsense. To us, the very definition of real, material wealth is the ability to live well on what one has already accumulated, without the need for additional income.



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## COMMENTARY CONT.

The truly wealthy, many of whom pay little or no income tax to begin with, can easily set up their affairs so as not to generate any income that would fall into the tax shaft. Most have already done so. The entire burden of the additional taxation in prospect will fall on those who are still in the accumulative stages of economic life.

Almost every active entrepreneur falls into this category. The notion that the general economic well being of the society can be improved by transferring an additional increment of cash flow from their accounts to the discretion of political leaders is ridiculous. The wealth of a society consists in its productive capital stock, not in the discretionary spending capacity of its rulers. All valid economic reasoning begins from this fundamental premise. That said, we understand that the validity of basic economic theorems carries little weight in current policy discussions. These are political in their intentions, not economic.

Blaming small, apparently privileged segments of society for the travails of the majority has always been politically effective. These narratives always rely on a heavy dose of superstition and do not admit to fact, regardless of evidence. In 2012, most of the superstition involves economics rather than the pagan mythologies used in ancient times to explain and assign blame for natural phenomena. All such efforts have the retention of political power as their bottom line. Always and everywhere.

The most profound change in incentives within the tax shaft is the treatment of taxable, unearned income, particularly in the form of dividends. This will, for high earners, go from a rate in the mid teens to nearly three times that level. The change will be more severe among residents of high-tax states. Capital gains taxation seems likely to rise, but nowhere nearly as far as taxes on dividends.

Dividend income from equities has been about the last remaining motivation for retail investor participation in stocks. Now that dividend income is highly likely to lose all of its tax advantage, the individual investor's flight from equities that has characterized this bull market will intensify.

From a practical standpoint, we believe the leadership mix in equity markets will continue to shift toward more volatile, economically sensitive and growth oriented stocks. By removing the income related anchor from stock valuations, the inherent volatility of current markets will intensify. We are not that concerned about this outcome, other than to note that it will likely drive the few remaining individual investors from equities (along with many pension and endowment funds) right at the point at which equities are likely to provide the only returns able to satisfy actuarial and retirement assumptions.

The prospective array of tax changes, whether automatic or negotiated, will be highly antagonistic to investment income received by high income, taxable investors. The planning imperative for the next several years will be for individuals to show as little ordinary and investment income as possible.

The direct consequences will likely involve diminished tax yield per unit of economic activity, particularly in states with highly punitive marginal income tax rates. There will also be a considerable waste of energy among economically effective people and their advisors to structure activities in ways that avoid as much of the new burden as is possible. Anyone on the fence about investing more in a private company or continuing professional practice longer than economically necessary may conclude that it is no longer worth the effort and risk.

The market risks are different and completely counter-intuitive. The reflex response to the prospective changes in store is to assume that there will be a sharp slowing of the economy. This may be the case in static, statistical terms, but the real risks are all in the other direction. Even in the event of complete budgetary sequestration and the full tax shaft, the reduction in Federal deficit spending will amount to approximately \$125 billion in the first quarter of 2013. This is in an economy where quarterly GDP will be approaching \$4 trillion. For real life perspective, this is a reduction in pay of around \$100 dollars a month for someone earning close to \$3000. That is a noticeable but not calamitous change.

The real anomaly in the current Gross Domestic Product (GDP) statistics is the profound depression in residential construction activity that has persisted for four years after the panic of '08. A return to the levels seen during the recession of 2002 would add about \$1.2 trillion to GDP over the course of one year. The idea that we are stuck in a 1% GDP environment as far as the eye can see strikes us as taking a once in a century anomaly and extrapolating into a putative new normal. New abnormal perhaps, but persistent abnormality is a dangerous hypothesis on which to base investment, monetary and legislative policies.

Tax shaft or not, the elements are in place for a serious surprise on the upside in economic activity. As residential construction continues to fight toward the distant horizon of normalcy, overall levels of activity in the U.S. economy could rapidly increase.



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## COMMENTARY CONT.

This is the one outcome that nearly everyone making asset allocation decisions is unprepared for. In fact, it probably represents the greatest macroeconomic threat to investment performance over the intermediate term.

The tax code is being altered to inflict more punitive levels of taxation on all forms of investment income, at a time when investing for income is the common mantra in all corners of the investment community. The effects on high dividend stocks are already apparent. Utilities have fallen like failed technology stocks. If the pattern extends to taxable fixed income, there will be trouble with a capital T.

We would not bring this up only in the context of changed tax policy. Over time, markets respond more forcefully to economic and business fundamentals. The risks of poor fixed income performance are meaningful right now because there is enormous exposure to the sector, little fundamental value and the likelihood that under any legislative outcome, the economy is poised to accelerate sharply.

The investment implications and risks are considerable. An abrupt jump in rates and a period during which more aggressive equities substantially outperform all presumably "safe" assets is an outcome for which the vast majority of investors are unprepared. We would go as far as to suggest that the portfolio risks of better than expected economic activity are hardly being considered, at a point where they appear to us to be unfolding.

The fund is positioned to benefit most from an environment in which economic activity continues to surprise on the high side and the 31 year old bull market in long duration, high quality fixed income investment begins to ebb, along with prices of equities that have current income as the main component of total return. In more succinct terms we are short what are generally thought of as safe assets and long those that would benefit from the supposedly far-fetched chance of a more normal recovery.

Nov. 26, 2012

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.