



MacKay Municipal Managers: Navigating the municipal bond market



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Get Ahead of the Curve

Get the latest updates from the team who has generally been on point with their insights – visit mainstayinvestments.com/subscribe to subscribe to our MainStay Market Monitor. You can also learn more about MacKay Municipal Managers and MainStay's municipal funds by visiting mainstayinvestments.com/munis. Speak with your investment professional today to learn how these Funds can fit into your portfolio.

MacKay Municipal Managers' active management approach has delivered compelling results and highly rated² municipal bond fund solutions.

Case Study: Puerto Rico

MacKay Municipal Managers¹ has been quoted in the news with their timely insights in the municipal bond market for years. Often sought after by the media to share their views, this award-winning* team has had a knack for identifying potential opportunities as well as risks in the municipal bond market. Case in point—check out this timeline that shows how these portfolio managers have navigated the events of Puerto Rico, helping to contribute to the attractive historical results of our MainStay municipal bond fund offerings.

MainStay Tax-Advantaged Income Solutions

MainStay Tax Free Bond Fund

A: MTBAX INV: MKINX B: MKTBX C: MTFCX I: MTBIX

MainStay High Yield Municipal Bond Fund

A: MMHAX INV: MMHVX C: MMHDX I: MMHIX

MainStay Tax Advantaged Short Term Bond Fund

A: MSTAX INV: MYTBX I: MSTIX

MainStay California Tax Free Opportunities Fund

A: MSCAX INV: MSCVX C: MSCCX I: MCOIX

MainStay New York Tax Free Opportunities Fund

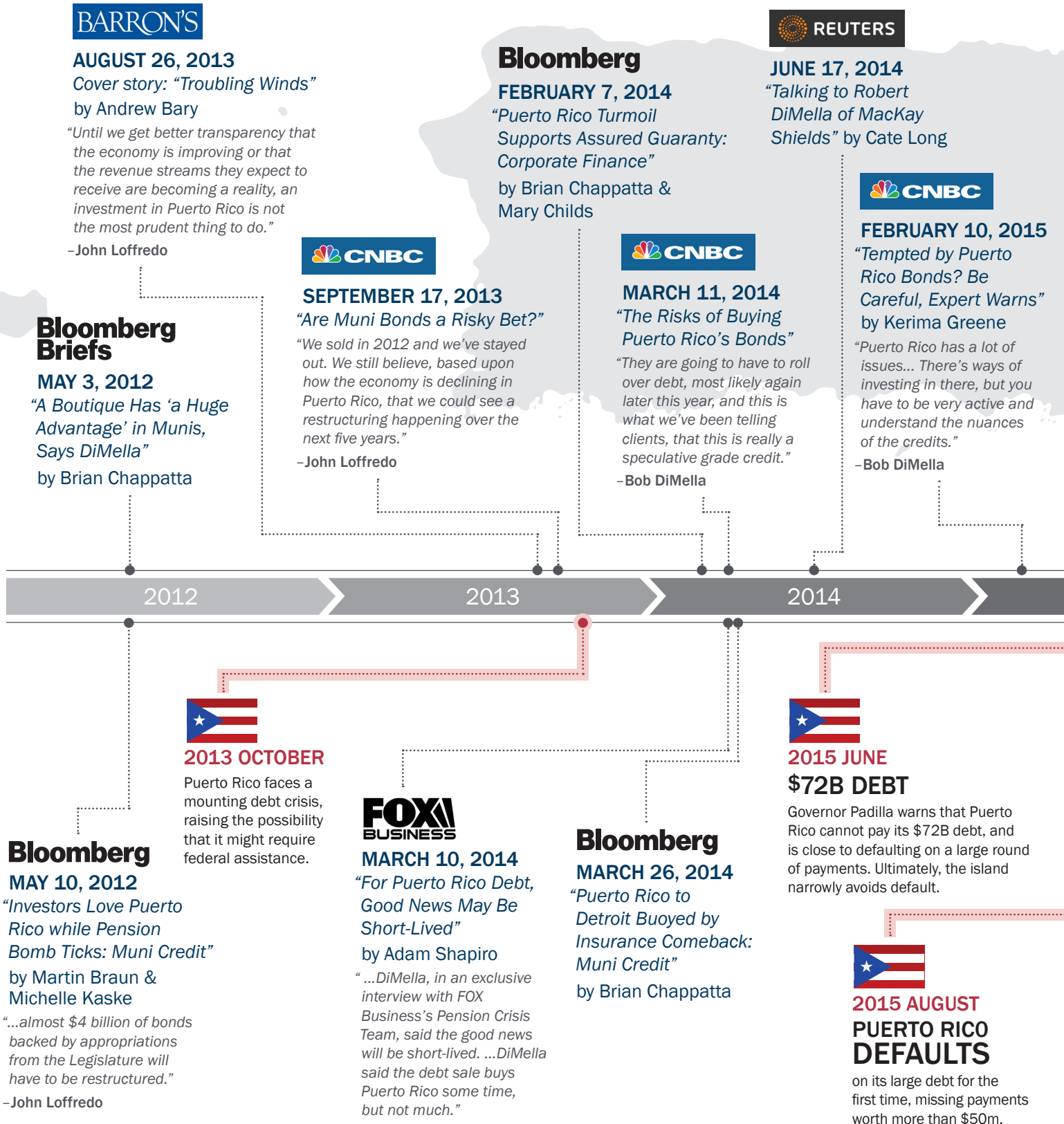
A: MNOAX INV: MNOVX C: MNOCX I: MNOIX

In recent years, Puerto Rico has experienced difficult financial and economic conditions, which may negatively affect the value of MainStay's municipal bond funds' offerings in Puerto Rico municipal securities. The majority of the funds' holdings in Puerto Rico municipals are insured. Bond insurance guarantees that the interest and principal will be paid on time if the issuer is unable to do so or defaults. Drawbacks of insurance include: the issuer pays an insurance premium for the coverage and the cost is passed on to investors in the form of a lower interest rate; insurance does not guarantee that a bond will reach a certain price in the market place; an insured bond is still subject to changing interest rates, which affect the bond price inversely; and, investors take on the risk of the creditworthiness of the insurer.

*MacKay Municipal Managers was named the 2016 Top Manager in the Municipal Fixed Income Category by Institutional Investor. A list of top-performing managers in 39 asset classes was identified by *Institutional Investor* magazine's editorial and research teams, based on data provided by eVestment. Award based on track record of institutional strategies. For a detailed explanation on award methodology, visit usinvestmentawards.com.

On Target for Puerto Rico

Highlighted below are just some of the team's media mentions regarding the events of Puerto Rico over the last few years, which led to the Commonwealth's current debt crisis. This timeline illustrates the expertise of MacKay Municipal Managers, the portfolio management team for MainStay's municipal bond fund offerings:**



**Puerto Rico Holdings as of 6/30/16: MainStay Tax Free Bond Fund - 7.2%; MainStay High Yield Municipal Bond Fund - 10.9%; MainStay California Tax Free Opportunities Fund - 5.1%; MainStay New York Tax Free Opportunities Fund - 6.2%; MainStay Tax Advantaged Short Term Bond Fund - 3.4%.

Bloomberg Radio

JANUARY 8, 2016

"Story Behind the Story: 2016 Predictions"
by Kate Smith &
Brian Chappatta

Bloomberg

JULY 6, 2015

"Puerto Rico Insured Debt at 76 Cents Lures Muni Buyers to Island"

by Brian Chappatta & Michelle Kaske

"It's one of these classic muni headline issues: A lot of people want to be the first out of the door and sell theirs first.... We've been actively participating in AA rated insured muni bonds that are triple tax-exempt that we believe are mispriced."

—John Loffredo

Bloomberg

APRIL 14, 2016

"Puerto Rico's 75-Cent Debt Poised to Profit as Assured Buys CIGF"
by Brian Chappatta

BARRON'S

MAY 7, 2016

"Puerto Rican Debt Crisis Is Coming to a Head"
by Andrew Bary

"Most everyone agrees that Congress needs to act to create an oversight board that gives Puerto Rico the regulatory and legal framework to restructure its debts and put the economy on a more sustainable path... Without a powerful board, it will be tough to achieve a comprehensive restructuring."

—John Loffredo

BARRON'S

JUNE 25, 2016

"Best Ways to Bet on Puerto Rico Now" by Andrew Bary

Loffredo says investors want to see three things: a debt restructuring, movement toward a balanced budget, and progress on dealing with Puerto Rico's estimated pension-fund liability of \$41 billion. The last two might be tough to achieve, given likely political opposition on the island.

2015

2016



2016 JANUARY

PUERTO RICO DEFAULTS FOR A 2ND TIME,

as the economy continues to struggle. Around \$37m was left unpaid. Governor Padilla continues his push for the island to be granted greater bankruptcy protections by the US.



2016 MAY

PUERTO RICO DEFAULTS

on approximately \$422m, representing the largest missed payment to date.



2016 JULY

PUERTO RICO DEFAULTS

on approximately \$800m GO debt due to its bondholders on July 1st.



2016 JUNE

PROMESA BILL

President Obama signs the Promesa Bill, to help Puerto Rico get out of its massive economic crisis.

Key Insights, Through the Years

2013

Barron's: "Troubling Winds"
by Andrew Bary

"It doesn't help investor confidence that timely financial reporting isn't available from Puerto Rico... 'Until we get better transparency that the economy is improving or that the revenue streams they expect to receive are becoming a reality, an investment in Puerto Rico is not the most prudent thing to do,' says John Loffredo, co-manager of the MainStay High Yield Municipal Bond Fund. MainStay muni funds don't own any Puerto Rico debt."

2014

Reuters: "Talking to Robert DiMella of MacKay Shields" by Cate Long

"...DiMella had sold all Puerto Rico bonds out of his portfolios by April 2012. He sold bonds at \$108 that he can now buy at \$62. He questioned the credit ratings of Puerto Rico sales-tax based COFINA bonds, because they are not higher quality than Puerto Rico's general obligation bonds. He believes that Puerto Rico will restructure PREPA, highway and appropriated debt bonds. DiMella's team urged their clients not to buy the new Puerto Rico general obligation bonds that were issued in March..."

2016

Bloomberg Radio: "Story Behind the Story: 2016 Predictions" by Kate Smith & Brian Chappatta

"We had a Q&A with [MacKay Municipal Managers] in the Muni BRIEF in May 2012, and John Loffredo said that they think that the Puerto Rico appropriation bonds will have to be restructured. We know what's happening there now. Seven cents on the dollar. Do you want to take a guess where the bonds were trading when that Q&A was published? 105 cents on the dollar. So that's pretty crazy to me. That's a pretty amazing prediction."

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Before you invest

1. MacKay Municipal Managers is the municipal portfolio management team of MacKay Shields LLC.

MainStay Tax Free Bond Fund, MainStay High Yield Municipal Bond Fund, MainStay California Tax Free Opportunities Fund, MainStay New York Tax Free Opportunities Fund, MainStay Tax Advantaged Short Term Bond Fund – A portion of the Funds' income may be subject to state and local taxes or the alternative minimum tax. The Funds may invest in derivatives, which may increase the volatility of the Funds' net asset value and may result in a loss to the Funds. 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.

MainStay High Yield Municipal Bond Fund and MainStay New York Tax Free Opportunities Fund – Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated bonds.

MainStay Tax Advantaged Short Term Bond Fund – The Fund is not a money market fund and does not attempt to maintain a stable net asset value. The Fund's net asset value per share will fluctuate. There can be no guarantee that the Fund will achieve or maintain any particular level of yield. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets. 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. The principal risk of mortgage-related and asset-backed securities is that the 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.

MainStay Tax Advantaged Short Term Bond Fund, MainStay California Tax Free Bond Fund and MainStay New York Tax Free Opportunities Fund – Municipal bond risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes, which could affect the market for and value of municipal securities.

MainStay California Tax Free Opportunities Fund and MainStay New York Tax Free Opportunities Fund – Because the Funds invests primarily in municipal bonds issued by or on behalf of the State of California or the State of New York, respectively, and its political subdivisions, agencies, and instrumentalities, events in California or New York are likely to affect the Fund's investments and performance. These events may include fiscal or political policy changes, tax base erosion, and state constitutional limits

on tax increases, budget deficits, and other financial difficulties. California or New York may experience financial difficulties due to the economic environment. Any deterioration of California or New York's fiscal situation and economic situation of its municipalities could cause greater volatility and increase the risk of investing in California or New York.

2. Morningstar Rating. Morningstar is an independent fund performance monitor. The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. Funds with less than three years of performance history are not rated. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. As of 8/31/16: **MainStay Tax Free Bond Fund's Class A shares** rated three stars overall from among 181 muni national long funds, and rated three stars, four stars, and three stars for the three-, five-, and 10-year periods from among 181, 169, and 140 muni national long funds, respectively; **Class I Shares** rated five stars overall from among 181 muni national long funds, and rated five stars and five stars for the three- and five-year periods from among 181 and 169 muni national long funds, respectively. **MainStay High Yield Municipal Bond Fund's Class A shares** rated four stars overall from among 171 high yield muni funds, and rated four stars and four stars for the three- and five-year periods from among 171 and 146 high yield muni funds, respectively; **Class I Shares** rated five stars overall from among 171 high yield muni funds, and rated five stars and five stars for the three- and five-year periods from among 171 and 146 high yield muni funds, respectively. **MainStay New York Tax Free Opportunities Fund Class A shares** rated four stars overall and rated four stars for the three-year period from among 89 muni new york long funds; **Class I Shares** rated five stars overall and five stars for the three-year period from among 89 muni new york long funds. **MainStay California Tax Free Opportunities Fund Class A shares** rated four stars overall and rated four stars for the three-year period from among 117 muni california long funds; **Class I Shares** rated five stars overall and five stars for the three-year period from among 117 muni california long funds. Ratings for other share classes may vary.

Past performance is no guarantee of future results, which will vary.



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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

MacKay Shields LLC is a federally registered investment advisor and an affiliate of 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, 30 Hudson Street, Jersey City, NJ 07302, a wholly owned subsidiary of New York Life Insurance Company. NYLIFE Distributors LLC is a Member FINRA/SIPC.

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Not a Deposit

May Lose Value

No Bank Guarantee

Not Insured by Any Government Agency