

A Compelling Opportunity for 2017

With an annual return of 17.5%¹ for 2016, the US High Yield market delivered its strongest performance since 2009 in a rally fueled by the outperformance of the commodity sectors and CCC-rated bonds. However, against the current backdrop of a low rate environment, we continue to believe the US high yield market represents a sensible, low duration fixed income investment option in an environment in which stable, unleveraged income is difficult to obtain.

The High Yield market has matured over the last decade as it has grown from \$950 billion in 2008 to about \$1.6 trillion today². Over that time, the quality of the market has improved. Since 2013, 55% of new issuance has been BB-rated, compared to a 20-year average of 42%. The largest high yield issuers are generally publicly traded companies raising capital for corporate M&A or refinancing. This is in contrast to a decade ago, when roughly one-quarter of new issuance was LBO financing. In addition, capital structures have become simpler and high yield has transitioned to a more stable, unleveraged investor base with a longer term view.

6.5% Coupon Is Attractive In A Near Zero World

US high yield remains an attractive investment opportunity in the current environment of low interest rates. The market average coupon today is about six-and-a-half percent and high yield has a shorter duration relative to other fixed income asset classes. The US high yield market has historically performed well during periods of rising rates because they often signal improving economic conditions and inflation.

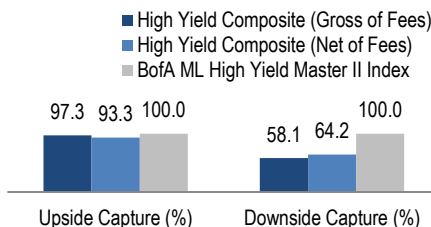
Defaults are expected to remain modest

The US economy is fairly stable and growing which is a good backdrop for high yield bonds. For the broader market, we expect defaults to remain modest as the quality of issuance has improved and signs of aggressive issuance are not evident in high yield.

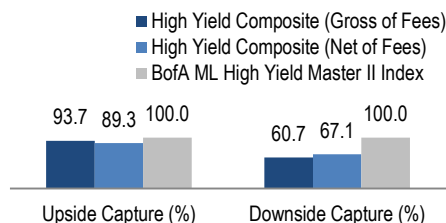
Margin of Safety

The High Yield Group utilizes a bottom-up investment process with a value orientation and long term outlook. Due to their asymmetric reward and risk profiles, investing in high yield bonds requires special attention to downside protection. We look for that additional cushion, or "margin-of-safety" through asset coverage. For us to consider investing in a high yield security, we require the asset coverage to be at least 1.5x. This investment process imposes a discipline that keeps us focused on credits with significant downside cushion, so that an unforeseen

3 Years • Ending December 31, 2016



5 Years • Ending December 31, 2016



Upside Capture: Based on quarterly returns, upside Capture is determined by the index which has an Up-Capture ratio of 100% when the index is performing positively. If a manager captures more than 100% of the rising market it is said to be "offensive".

Downside Capture: Based on quarterly returns, downside Capture is determined by the index which has a Down-Capture ratio of 100% when the index is performing negatively. If a manager captures less than 100% of the declining market it is said to be "defensive".

Net-of-fees composite performance is derived by reducing gross-of-fees returns by our highest quarterly fee. Source: Callan Associates Inc.

Provided as supplemental information to the GIPS-compliant presentation on the following page. It is not possible to invest directly into an index.

Past performance is not indicative of future performance.

development doesn't immediately put a recovery value at risk. Through our focus on rigorous credit analysis, we have been able to outperform the high yield market over the long term, through superior credit selection, while mitigating downside risks.

This material is distributed for informational purposes only. The views expressed herein do not constitute investment advice or trade recommendations and do not necessarily represent the views of all MacKay Shields portfolio management teams. Any forward looking statements speak only as of the date they are made, and MacKay Shields LLC assumes no duty and does not undertake to update forward looking statements.

Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

Comparisons to a financial index are provided for illustrative purposes only. Comparisons to the index are subject to limitations because the composite's holdings, volatility and other portfolio characteristics may differ materially from the index. Unlike the index, portfolios within the composite are actively managed. There is no guarantee that any of the securities in the index are contained in the composite. The performance of the index assumes reinvestment of dividends but does not reflect the impact of fees, applicable taxes or trading costs which, unlike the index, may reduce the returns in the composite. Investors cannot invest in an index. All indices are unmanaged. Because of these differences, the performance of the index should not be relied upon as an accurate measure of comparison.

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All data as of December 31, 2016

1. The US High Yield market is referring to the BofA Merrill Lynch High Yield Master II Index.

2. Source: BofA Merrill Lynch High Yield Index used with permission. BofA Merrill Lynch is licensing the BofA Merrill Lynch indices and related data "as is," makes no warranties regarding same, does not guarantee the suitability, quality, accuracy, timeliness, and/or completeness of the BofA Merrill Lynch indices or data included in, related to, or derived therefrom, assumes no liability in connection with their use, and does not sponsor, endorse, or recommend MacKay Shields LLC, or any of its products or services.

Lead Manager:



Andrew Susser

Head of MacKay Shields High Yield Team

Firm Overview:

MacKay Shields LLC is a global fixed income investment advisory firm managing approximately \$94 billion in assets across four independent investment teams: High Yield, Global Fixed Income, MacKay Municipal Managers, and Convertible Bonds. The investment teams and strategies are separate but they share a common compliance, legal, and operations infrastructure. The members of our investment teams have worked together on average for more than 10 years. MacKay Shields is an indirect wholly-owned subsidiary of New York Life Insurance Company, but operates and invests independently³.

The High Yield Group has managed portfolios with a pure focus on the US high yield market since 1991. The Group utilizes a disciplined bottom-up, value oriented approach to investing in the high yield market. The High Yield Group currently manages more than \$22 billion across a diverse base of investors. The Group's strategies include US high yield, upper tier (BB-B) high yield, low volatility high yield, and senior secured loans across a variety of customized strategies for institutional investors, among others in the German Spezialfonds-setup.

3. MacKay Shields LLC is 100% owned by New York Life Investment Management Holdings LLC, which is wholly owned by New York Life Insurance Company, our ultimate parent. Investments are not guaranteed by New York Life Investment Management Holdings LLC or New York Life Insurance Company.

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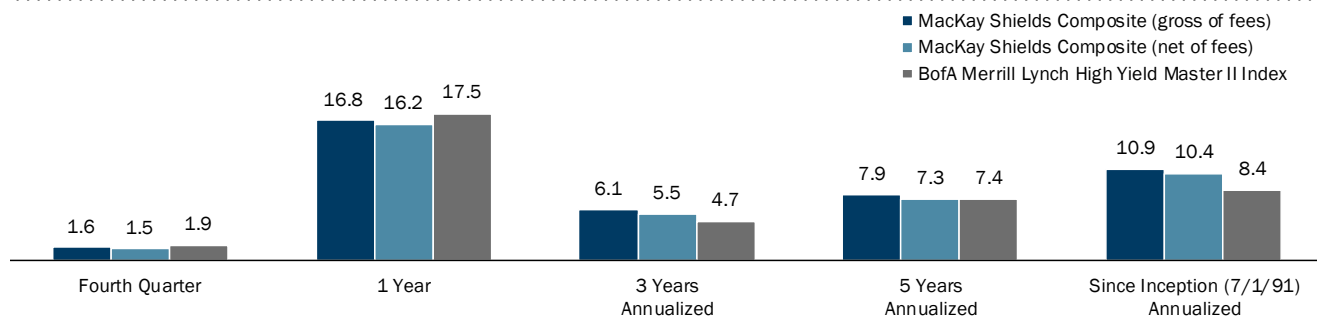
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Composite Returns (%)

Period Ending December 31, 2016



Composite Disclosures

Calendar Years	MacKay Shields Composite (gross of fees) (%)	MacKay Shields Composite (net of fees) (%)	BofA Merrill Lynch High Yield Master II Index (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	No. of Accts.	Composite Assets (\$Mil)	Firm Assets (\$Mil)	Internal Dispersion
2016	16.8	16.2	17.5	5.2	6.0	22	4,458	94,540	0.4
2015	-0.5	-1.0	-4.6	4.3	5.3	25	4,505	89,196	0.3
2014	2.7	2.2	2.5	3.6	4.4	27	5,161	91,626	0.3
2013	7.1	6.6	7.4	4.7	5.9	30	5,312	80,331	0.3
2012	14.2	13.6	15.6	4.8	6.4	29	5,503	78,371	0.2
2011	7.0	6.5	4.4	7.6	9.7	36	7,276	58,115	0.3
2010	13.4	12.9	15.2	12.7	15.6	42	10,359	54,319	0.4
2009	45.0	44.3	57.5	12.7	15.5	43	9,996	43,197	1.5
2008	-22.2	-22.6	-26.4	10.3	12.5	40	6,198	28,370	1.6
2007	3.4	2.9	2.2	3.7	4.2	38	7,610	38,094	0.5
2006	11.6	11.1	11.8	3.6	3.6	39	8,024	40,074	1.1

The High Yield Composite includes all discretionary high yield accounts managed with similar objectives for a full month, including those accounts no longer with the firm. This strategy includes high-yield corporate debt securities, consisting of all types of high-yield domestic and foreign corporate debt securities that are rated below investment grade or, if unrated, that we determine to be of comparable quality. As of 10/1/09, the definition of the High Yield Composite was changed to exclude those accounts where management is shared with another team within MacKay Shields. Gross-of-fees composite performance reflects reinvestment of income and dividends and is a market-weighted average of the time-weighted return, before advisory fees and related expenses, of each account for the period since inception. Net-of-fees composite performance is derived by reducing the quarterly gross-of-fees composite returns by .125%, our highest quarterly fee. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Performance is expressed in US Dollars. The composite creation and inception date is 7/1/91. All portfolios in the composite are fee-paying portfolios. There can be no assurance that the rate of return for any account within a composite will be the same as that of the composite presented. **Past performance is not indicative of future results.**

MacKay Shields LLC, an SEC-registered investment adviser, claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. The firm has been independently verified from January 1, 1988 through September 30, 2016. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list of composite descriptions is available upon request. The primary benchmark for this composite is the BofAML High Yield Master II Index. The Credit Suisse High Yield Index was the primary benchmark until 9/30/16. It was removed due to data transparency issues. The benchmark was changed retroactively because returns for the two indices were not meaningfully different through 9/30/16. The correlation of monthly index returns from composite inception through 9/30/16 was 0.983. Indices do not incur management fees, transaction costs or other operating expenses. Investments cannot be made directly into an index. The BofAML High Yield Master II Index is referred to for comparative purposes only and is not intended to parallel the risk or investment style of the portfolios in the MacKay Shields Composite. Internal dispersion is calculated using the equal-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the index returns over the preceding 36-month period. The standard deviation is not presented for periods prior to 1998 because it is not available.