



This ADV brochure, dated July 13, 2012,  
provides information about the qualifications and business practices of:

## **NEW YORK LIFE INVESTMENT MANAGEMENT LLC**

**51 Madison Ave  
New York, New York 10010  
[www.nylim.com](http://www.nylim.com)**

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New York Life Investments is a service mark used by New York Life Investment Management LLC. MainStay is a registered trademark of New York Life Investments. MainStay Investments is a registered name under which New York Life Investments does business.

*The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. In addition, registration as an investment adviser does not imply a certain level of skill or training. Additional information about New York Life Investment Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **ITEM 2: SUMMARY OF MATERIAL CHANGES**

Since our last annual update, filed March 30<sup>th</sup>, 2012, the following material changes were made:

- The “Advisory Business” section was revised to correct an understatement of the discretionary assets managed by the firm as of December 30, 2011.
- The “Other Financial Industry Activities and Affiliations” section was revised to remove references to McMorgan & Company LLC which as of June 29, 2012 is no longer an affiliated investment adviser.

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#### **ITEM 4: ADVISORY BUSINESS**

New York Life Investment Management LLC ("New York Life Investments") is an indirect wholly-owned subsidiary of New York Life Insurance Company ("New York Life") and a wholly-owned subsidiary of New York Life Investment Management Holdings LLC. As of December 30, 2011, New York Life Investments managed \$219,904,976,442 of client assets on a discretionary basis, and \$1,568,462,258 of client assets on a non-discretionary basis.

New York Life Investments provides a broad array of investment advisory services to: affiliated insurance companies' general and separate accounts and other affiliated corporate entities; third-party institutional clients; investment companies; other pooled investment vehicles; and wrap fee programs sponsored by unaffiliated entities (see "*Types of Clients*" section below).

Founded by New York Life in April, 2000, New York Life Investments is comprised of the following investment divisions: i) Fixed Income Investors Group; ii) Real Estate Group; and iii) Separately Managed Accounts Group. Through these investment divisions, New York Life Investments offers advisory services which may be tailored to meet a client's needs. For example, a client may prohibit the purchase of specific securities, or may prohibit the purchase of securities within a specific sector or industry. Client imposed restrictions are detailed in the client's investment advisory agreement. With respect to our Separately Managed Accounts clients, these restrictions are typically communicated to us by the sponsor.

New York Life Investments also has a Retirement Plans Services business that provides an array of full-service defined benefit (DB), defined contribution (DC), integrated DB/DC, and Taft-Hartley services. The platform offers an open architecture that incorporates a variety of investment options including target date funds, group separate accounts, commingled funds, self-directed brokerage accounts, and proprietary and non-proprietary mutual funds.

Finally, New York Life Investments offers, either directly or through subadvisers, fixed income and equity advisory services to various proprietary registered investment companies. These mutual funds are marketed under the name "*The MainStay Funds*" and include: The MainStay Funds (File No. 811-4550); Eclipse Funds Inc. (File No. 811-06175); Eclipse Funds (File No. 811-04847); MainStay VP Funds Trust (File No. 811-03833); and MainStay Funds Trust (File No. 811-22321).

#### **Fixed Income Investors Group**

Our Fixed Income Investors Group ("FIIG") offers fixed income advisory services. FIIG has expertise in most major U.S. dollar fixed income sectors including: high yield bonds, floating rate loans, investment grade corporate bonds, mortgage-backed securities, asset-backed securities, and government securities. FIIG also manages investment and non-investment grade securities issued as traditional private placements or under Rule 144A of the Securities Act of 1933 for a wide range of sectors. FIIG also serves as collateral manager for a series of collateralized loan obligation vehicles.

FIIG employs a team-oriented approach to managing fixed income portfolios for affiliated and unaffiliated clients in the institutional and retail markets. Using a combination of top-down fundamental analysis and bottom-up credit research, FIIG constructs diversified portfolios that are designed to deliver consistent performance and stability. This is accomplished by striving to add incremental excess return while avoiding principal loss.

### **Real Estate Group**

Our Real Estate Group (“REG”) offers real estate debt and equity advisory services to our parent company, New York Life, and its affiliates, and to third-party investors through our pooled real estate investment funds. With respect to real estate-related debt products, REG’s capabilities and services include origination, underwriting and loan administration. These products include: commercial mortgage loans, mezzanine, bridge and structured debt investments, commercial mortgage-backed securities, unsecured REIT bonds, and single family jumbo loan pools. REG also provides acquisition, disposition and asset management services with respect to real estate equity investments for New York Life and its affiliates. Additionally, within the real estate asset class, REG identifies and underwrites investments in third party-sponsored real estate equity and debt funds, and low income housing tax credit (LIHTC) funds. Lastly, REG provides advisory and asset management services to New York Life for its corporate properties and for its leased properties.

### **Separately Managed Accounts Group**

Our Separately Managed Accounts Group (“SMA Group”) performs the operational and administrative functions for New York Life Investments’ high net worth individual and retail separately managed accounts (“SMAs”). These SMAs are offered through programs sponsored by unaffiliated broker-dealers whereby portfolio management, brokerage execution, custodial and administrative services are provided by the broker-dealer for a single charge (commonly referred to as a “wrap fee program”).

As the investment adviser to these SMAs, New York Life Investments receives a portion of the wrap fee charged by the sponsor. For this fee, we perform operations, administrative and trading services, and engage subadvisers to provide subadvisory and trading services if applicable. In rare cases, we may be paid an advisory fee for these services directly by the client rather than through the sponsor. We currently have subadvisory agreements with the following federally registered investment managers, or “subadvisers”: MacKay Shields LLC, (SEC File No. 801-5594); Institutional Capital LLC (SEC File No. 801-40779); and Epoch Investment Partners, Inc. (SEC File No. 801-63118). MacKay Shields LLC and Institutional Capital LLC are both wholly-owned subsidiaries of New York Life Investment Management Holdings LLC and are therefore affiliated persons. Epoch Investment Partners Inc. is an unaffiliated subadviser. We also retain SEI Global Services Inc. to provide certain non-advisory administrative services.

The investment strategies offered by our SMA Group are different from the investment strategies offered by our other investment divisions. These strategies include: i) convertible bonds; ii) municipal bonds; iii) small-mid cap equity; iv) large cap equity; v) all cap equity; vi) global choice equity; and vii) global equity yield. MacKay Shields LLC is the subadviser

to the convertible bond and municipal bond strategies. Institutional Capital LLC is the subadviser to the large cap equity strategy. Epoch Investment Partners is the subadviser to the small-mid cap equity, large cap equity, all cap equity, global choice equity and global equity yield strategies.

New York Life Investments also provides non-discretionary advisory services to sponsors of Unified Management Accounts and Diversified Managed Accounts. In these cases, our services are generally limited to providing model portfolios to the sponsors, but in some cases, we may also provide trading services, depending upon the sponsor firm agreement. These model portfolios are generated by the subadviser.

### **Retirement Plan Services**

Our Retirement Plan Services business offers advisory services through its *On Target* product. A separate brochure has been filed with the SEC describing this product. Such brochure is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). It is also available upon written request to:

New York Life Investment Management LLC  
169 Lackawanna Avenue  
Parsippany, New Jersey 07054  
Attention: Ramona Walsh

### **Mutual Funds**

For certain fixed income portfolios of *The MainStay Funds*, New York Life Investments manages the money directly through FIIG. For other funds, we hire federally registered subadvisers to provide investment management services. Subadvisers are selected based on an evaluation of their skills and investment results in managing assets for specific asset classes, investment styles and strategies. Currently, we engage the following affiliated subadvisers: MacKay Shields LLC (SEC File No. 801-5594), Institutional Capital LLC (SEC File No. 801-40779), and Madison Square Investors LLC (SEC File No. 801-69663). We also engage the following unaffiliated subadvisers: Winslow Capital Management, Inc. (SEC File No. 801-41316); Markston International, LLC (SEC File No. 801-56141); Epoch Investment Partners, Inc. (SEC File No. 801-63118); Van Eck Associates Corporation (SEC File No. 801-21340); Dimensional Fund Advisors LP (SEC File No. 801-16283); DuPont Capital Management Corporation (SEC File No. 801-44730); Eagle Asset Management, Inc. (SEC File No. 801-21343); Janus Capital Management LLC (SEC File No. 801-13991); Massachusetts Financial Services Company (SEC File No. 801-17352); Pacific Investment Management Company LLC (SEC File No. 801-48187); and T. Rowe Price Associates, Inc. (SEC File No. 801-856).

For additional information regarding *The MainStay Funds'* investment strategies and associated risks please refer to *The MainStay Funds'* Prospectuses and Statements of Additional Information which are available on our website at [www.nylim.com](http://www.nylim.com).

## **ITEM 5: FEES AND COMPENSATION**

### **FEES**

Clients are generally billed for advisory services according to the fee schedule agreed to by the client and included in their investment management agreement. Generally, advisory fees are payable either monthly or quarterly in arrears, based on the value of assets under management at the end of the period.

All advisory arrangements may be terminated by the client upon assignment or by either party upon prior written notice, according to the termination provisions outlined in the investment management agreement. If a contract is terminated, all advisory fees are subject to pro-rata adjustment based upon the date of termination.

Fee schedules are negotiable and can vary depending on a variety of factors such as the client, size of the account and the investment program selected. Our typical fee schedules are as follows.

### **Fixed Income Investors Group**

FIIG's management fees generally range from .01% to 1.00% of average daily net assets under management. However, performance and fixed fees could be higher than 1.00% depending on account performance and account size. The annual fee schedules for the managed accounts that are invested in FIIG's significant investment strategies (see "*Investment Strategies and Risk of Loss*" section below) are:

<b>Investment Grade Corporate</b>	0.25% for all asset levels
<b>Core Fixed Income</b>	0.25% for all asset levels
<b>Investment Grade Bond Index</b>	0.10% for all asset levels
<b>Intermediate Government Credit</b>	0.25% for all asset levels
<b>Floating Rate</b>	0.45% for all asset levels
<b>High Yield</b>	0.45% for all asset levels

In addition to the management fees described above, there are other fees associated with the management of FIIG client accounts. For example, the custodian for your account, which you independently select, charges a custodial fee that varies by custodian. In addition, the broker-dealers that we select to execute transactions in your account charge a fee. Brokerage and custody fees are not included in the investment management fee that you pay to us. Instead, custodian fees are charged to you separately by the custodian, and brokerage fees affect your account during the trade execution process. Please refer to “*Brokerage Practices*” section below for additional information regarding our process for selecting brokers to execute transactions in client accounts.

FIIG is also the principal investment manager for general and separate account assets of our parent company, New York Life and its insurance affiliates, New York Life Insurance and Annuity Corporation (“NYLIAC”) and NYLIFE Insurance Company of Arizona (“NYLAZ”) both of which are wholly-owned subsidiaries of New York Life. We charge these affiliates a negotiated management fee based on asset class and may earn performance based fees. The average fixed income management fee for affiliated accounts is .089%, but is subject to change as the asset mix changes. The annual fixed income performance fee for affiliated accounts is determined using a transaction-based value added system. In general, the performance fees paid by our affiliates over the last five years have ranged from .01% to .02%.

### **Real Estate Group**

REG charges New York Life a range of asset-based advisory fees for managing the various types of real estate-related investments. In certain cases, such as real estate equities, the fees are on a sliding scale. Third party investors are charged servicing fees for the mortgages held under co-lending agreements and management fees for their capital in the pooled real estate investment funds that we manage. These fees are based on a percentage of the loan or investment.

### **Separately Managed Accounts Group**

With respect to our SMAs, clients pay the third-party sponsor a single wrap fee. This single wrap fee covers our investment advisory fee, the subadviser’s investment advisory fee, custody fees, performance measurement costs, and administrative costs. We may also participate in wrap programs where the fees are unbundled and the client may incur commission costs.

For our services, the sponsor or client pays us an annual advisory fee ranging from .28% to .80%. Our annual fee varies from program to program depending on the sponsor, the type of account, the services provided, and the amount of assets in the program. Upon receiving our fee from the sponsor, we pay a portion of our fee to the subadvisers that we hire to manage assets.

SMA advisory fees are generally charged and payable quarterly in advance or in arrears based on the value of assets under management at the end of the quarter. In rare cases, fees



are paid less frequently than quarterly but not more than six months in advance. The compensation schedules for the SMAs are dictated by the sponsor's billing practices.

### **Mutual Funds**

With respect to *The MainStay Funds*, the advisory and other fees charged for managing each portfolio of the Funds are outlined in the Fund's Prospectus and Statement of Additional Information. These fees are based on a percentage of assets under management, as approved by the Boards of Directors/Trustees of the Funds.

### **COMPENSATION**

There may be instances where our supervised persons recommend that an advisory client, or prospective advisory client, invest in either *The MainStay Funds* or in a private fund that we sponsor. When this occurs, neither New York Life Investments nor any of our supervised persons receive asset-based compensation for the sales that result from these recommendations.

### **ITEM 6: PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted above, FIIG manages general and separate account assets of our parent company, New York Life and its insurance affiliates, NYLIAC and NYLAZ. New York Life Investments charges these affiliates a negotiated management fee based on asset class and we may also earn performance based fees. The annual fixed income performance fee is determined using a transaction-based value added system. Over the past five years, these performance fees have ranged from .01% to .02%.

Given the percentage of assets under management that are attributable to these affiliated entities, the performance based fees that are generated by these accounts could be substantial. As a result, the appearance of a conflict exists whereby our portfolio managers may have an incentive to favor these accounts over our other accounts. This potential conflict is mitigated by the fact that the combined management fee and performance based fee that we charge to our affiliates is on average lower than the management fee that we charge to our other clients. In addition, we have policies and procedures in place to make sure that all clients are treated fairly and to ensure that no client account receives preferential treatment in the allocation of investment opportunities (see "*Brokerage Practices*" section below).

FIIG also serves as collateral manager for a series of collateralized loan obligation vehicles ("CLOs"). As collateral manager of these vehicles, FIIG is entitled to additional compensation on a subordinated basis out of excess loan proceeds if loans in the investment pool generate proceeds above certain thresholds. As a result, the appearance of a conflict may exist where our portfolio managers may have an incentive to favor these vehicles over other accounts pursuing a floating rate debt strategy. This conflict is mitigated by the fact that the CLOs have investment guidelines that are typically more restrictive than the other accounts managed in the floating rate debt strategy. In addition, we have policies and procedures in place to make sure that all clients are treated fairly and to ensure that no client

account receives preferential treatment in the allocation of investment opportunities (see “*Brokerage Practices*” section below).

## **ITEM 7: TYPES OF CLIENTS**

As discussed in detail in the “*Advisory Business*” section above, New York Life Investments provides a broad array of investment advisory services to affiliated insurance companies’ general and separate accounts and other affiliated corporate entities; third-party institutional clients; investment companies; other pooled investment vehicles; and wrap fee programs sponsored by unaffiliated entities. It also serves as collateral manager to certain special purpose vehicles including, but not limited to, collateralized loan obligations. The minimum initial account size for FIIG separately managed accounts is typically \$100 million.

REG offers real estate debt and real estate equity advisory services to our parent company, New York Life, and to third-party qualified investors through our pooled real estate investment funds. For third-party accounts invested in our real estate investment funds, the minimum account size is typically \$1,000,000.

Finally, our SMA Group provides fixed income and equity advisory services to wrap fee programs sponsored by unaffiliated entities. The minimum initial account size for our SMAs is typically \$100,000. This minimum however, may be lower in the case of the Unified Management Accounts and Diversified Managed Accounts managed by our SMA Group.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Although New York Life Investments offers advisory services in several asset classes through our Fixed Income Investors Group, Real Estate Group, Separately Managed Accounts Group, and through *The MainStay Funds* (please refer to the “*Advisory Business*” section above), our significant investment strategies are managed by FIIG.

As discussed above, FIIG is a multi-product fixed income investment manager with expertise in most major U.S. dollar fixed income sectors including: high yield bonds, floating rate loans, investment grade corporate bonds, mortgage-backed securities, asset-backed securities, and government securities. Within these sectors, FIIG’s significant investment strategies include:

- Investment Grade Corporate: Seeks to maximize total return relative to the Barclay’s Capital US Credit Index.
- Core Fixed Income: Seeks to outperform the total return of the Barclays Capital Aggregate Bond Index over a full market cycle.
- Investment Grade Bond Index: Seeks to replicate the risk/return characteristics of the Barclays Capital Aggregate Bond Index.

- **Intermediate Government Credit:** Seeks to outperform the total return of the Bank of America Merrill Lynch 1-10 Year U.S. Corporate & Government Index.
- **Floating Rate:** Seeks to provide high income by tapping the potential of the floating rate loan market.
- **High Yield:** Seeks to outperform the total return of the U.S. non-investment grade credit market as measured by the Citigroup High Yield Market Capped Index over a full market cycle.

## **Investment Process**

### **Investment Grade Corporate, Core Fixed Income, Investment Grade Bond Index, and Intermediate Government Credit**

For its Investment Grade Corporate, Core Fixed Income and Intermediate Government Credit strategies, FIIG's goal is to deliver consistent performance and stability by adding incremental returns in excess of the benchmark while avoiding principal loss. For its Investment Grade Bond Index strategy, the goal is to mirror the risk/return of the index. To achieve these goals, FIIG implements a risk-controlled, value-oriented investment process focused on active team management that leverages the top-down and bottom-up capabilities of the FIIG investment management team.

By following a highly collaborative top-down and bottom-up investment process, FIIG seeks to generate excess return from four different areas:

- *Sector Allocation:* Sector allocation refers to the different asset classes within the fixed income marketplace that a portfolio will be invested in versus its respective benchmark. For example, subject to unique investment guidelines, a core fixed income portfolio that is benchmarked against the Barclays Aggregate Index will be invested in five major sectors of the investment grade fixed income market. Those sectors are U.S. Treasuries, U.S. government agencies, mortgage backed securities, corporate bonds, and structured securities such as asset-backed securities. Particular emphasis is placed on corporate bonds and structured securities. In order to determine optimal sector allocation, FIIG performs scenario analysis to provide quantitative support for allocation decisions with the objective of maximizing risk-adjusted excess return over a cycle.
- *Security Selection:* Security selection refers to the specific securities comprising the portfolio. Decisions to overweight or underweight an individual security are made within the framework of overall portfolio construction. Specific security selection risks are managed through diversification and adherence to position limits.

- *Duration Management:* Duration management refers to the change in the level of interest rates. Focus in this area is on the long term trend in the direction of interest rates rather than short-term trading opportunities. FIIG uses a combination of fundamental, technical, and quantitative tools to assist in the decision-making process.
- *Yield Curve Management:* Yield curve management refers to the positioning of the portfolio across the term structure of interest rates versus its respective benchmark. Yield curve management differs from duration management in that duration management is more closely aligned with a parallel shift in the yield curve (i.e. interest rates moving up or down) while yield curve management is focused on the changing shape of the term structure of interest rates (i.e. the yield curve flattening or steepening). At any given duration level, a portfolio can have very different yield curve profiles that will lead to different return characteristics. FIIG uses scenario analysis and other quantitative and fundamental tools to determine the optimal yield curve positioning.

### **Floating Rate and High Yield**

FIIG's Floating Rate and High Yield strategies are managed by the High Yield Credit Group within FIIG ("HYG"). The HYG practices bottom-up fundamental credit research and prefers credits with positive free cash flow, solid collateral, and proven management. It typically avoids investment decisions based simply on credit ratings, and typically does not engage in technical trading or market timing. It also maintains significant diversification across issuers and industries in order to distribute risk on a broad basis. While not active traders in this strategy, the HYG will trade to avoid significant credit deterioration or credit events. It will also trade to improve diversification or improve risk-adjusted yield.

Prior to making an investment, an initial screen of the investment opportunity is undertaken based on credit statistics, deal structure, relative value and portfolio needs. Analyst input is critical to the HYG's decision making process. The foundation of its research process is the consistent, repeatable, first-person evaluation of all aspects of an existing or prospective borrower. Upon initial purchase, and subsequent surveillance of a credit, the analysts seek an informed opinion as to the long-term creditworthiness of such credit using all available sources of internal and external information, without excessive reliance on the view of any one source or the rating agencies. The HYG will sell an asset to avoid credit deterioration, to improve diversification or to enhance risk-adjusted yield.

### **RISK OF LOSS**

You should be aware that there are certain material risks associated with investing in the strategies noted above. These risks include (without limitation):

- *Credit Risk:* The risk that an issuer of a debt security may fail to repay the interest or principal when due.

- *Liquidity Risk:* The risk that you cannot sell a security, or that the cost to sell the security is extraordinarily high. Liquidity risk is often measured by how often a security trades. The more that a security trades, the lower the risk.
- *Interest Rate Risk:* The risk that fluctuating interest rates will cause a security's value to change. When interest rates go up, the value of a non-callable debt security tends to go down, and when interest rates go down, the value of a non-callable debt security tends to go up.
- *Call & Repayment Risk:* The risk that a security is repaid prior to expectations or maturity. This risk is elevated when interest rates decline and the issuer of the security has the ability to refinance the security at a lower cost. When this occurs, the proceeds from the called bond would have to be invested at the new lower interest rate which may not be sufficient to replace the income or cash flow produced by the called security because interest rates have declined.
- *Junk Bond Risk:* The floating rate loans and high yield bonds in which FIIG's HYG invests are usually rated below investment grade (sometimes referred to as "junk bonds") and are generally considered speculative because they present a greater risk of loss, including default, than higher quality debt securities. Although certain floating rate loans are collateralized, there is no guarantee that the value of the collateral will be sufficient to repay the loan in the event of default.
- *Extension Risk:* The risk that the average life of the security extends therefore delaying the return of principal and possibly causing a missed opportunity to invest at a higher interest rate.
- *Floating Rate Loan Risk:* Floating rate loans may, under certain circumstances, be less liquid than higher quality debt securities, and an active trading market may not exist. In addition, some loans may be subject to restrictions on their resale, which may prevent your account from obtaining the full value of the loan when it is sold.

## **ITEM 9: DISCIPLINARY INFORMATION**

On May 27, 2009, New York Life Investments settled charges by the SEC relating to the MainStay Equity Index Fund (the "Fund"). The Fund is a series of *The MainStay Funds* and is managed by New York Life Investments. The settlement relates to the period from March 12, 2002 through June 30, 2004, during which time the SEC alleged that New York Life Investments failed to provide the Fund's board with information necessary to evaluate the cost of a guarantee provided to shareholders of the Fund, and that prospectus and other disclosures misrepresented that there was no charge to the Fund or its shareholders for the guarantee.

Without admitting or denying the allegations, we consented to the entry of an administrative cease and desist order finding violations of Sections 15(c) and 34 (b) of the Investment Company Act of 1940, and Section 206(2) of the Investment Advisers Act of 1940, as amended, and were required to pay a civil penalty of \$800,000, disgorge \$3,950,075 (which represents a portion of its management fees relating to the Fund for the relevant period), and pay interest of \$1,350,709. Pursuant to the SEC order, approximately \$3.5 million has been distributed to shareholders who held shares of the Fund between March 2002 and June 2004, and the remainder has been paid to the SEC, for deposit in the U.S. Treasury. On June 27, 2011, the SEC approved the final accounting and ordered the termination of the settlement fund used to distribute payments to shareholders. These amounts, totaling approximately \$6.101 million, did not have any material financial impact on New York Life Investments.

There are no other legal or disciplinary events involving New York Life Investments that are material to our advisory business or to the management of your account to report at this time. In the event that your account is managed by a subadviser hired by New York Life Investments, please refer to the Form ADV of the subadviser for a description of material disciplinary events, if any, involving such subadviser.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The following relationships or arrangements with related persons are material to our business and may create potential conflicts of interest:

##### **Broker-Dealers**

Some of our employees, including some of our executive officers, are registered with the Financial Industry Regulatory Association (FINRA) as representatives and principals of NYLIFE Distributors LLC. NYLIFE Distributors is our affiliate and is registered as a broker-dealer with the SEC.

We serve as the investment manager for various registered investment companies known as *The MainStay Funds*. NYLIFE Distributors LLC serves as the principal underwriter and distributor of *The MainStay Funds*. By virtue of their FINRA registrations, certain of our employees may promote the sale of *The MainStay Funds* to registered representatives of other broker-dealers who may recommend that their clients purchase these products. In limited circumstances, we may also recommend that our clients purchase *The MainStay Funds*.

Our employees who are registered representatives of NYLIFE Distributors may also promote the sale of our SMA accounts.

NYLIFE Distributors may compensate registered employees who promote the sale of *The MainStay Funds* or the SMA accounts for their efforts, and New York Life Investments may make payments to NYLIFE Distributors to help fund such compensation.

Other than for transactions involving *The MainStay Funds*, we do not use affiliated broker-dealers to execute securities transactions for our clients.

### **Investment Companies**

We serve as the investment adviser for *The MainStay Funds*. Conflicts may arise as to the allocation of investment opportunities among *The MainStay Funds* and our other clients. We have policies and procedures in place to make sure that all clients are treated fairly and to ensure that no client account receives preferential treatment in the allocation of investment opportunities (see “*Brokerage Practices*” section below).

### **Investment Advisers**

We are affiliated with, and have material relationships with, the following federally registered investment advisers:

- MacKay Shields LLC (File No. 801-5594), acts as a subadviser for various mutual funds, and for certain institutional accounts, for which New York Life Investments serves as adviser. MacKay Shields LLC also provides advisory services to our separately managed account clients who participate in wrap programs that are sponsored by unaffiliated investment advisers or broker-dealers. MacKay Shields also serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of New York Life Investments may be solicited to invest in such limited partnerships or in others for which MacKay Shields serves in a similar capacity.
- Institutional Capital LLC (File No. 801-40779), acts as a subadviser for various mutual funds for which New York Life Investments serves as adviser.
- Madison Square Investors LLC (File No. 801-69663), acts as a subadviser for various mutual funds for which New York Life Investments serves as adviser, and may provide certain non-advisory services in connection with New York Life Investment’s management of *The MainStay Funds*.
- NYLCAP Manager LLC (File No. 801-61010), serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of New York Life Investments may be solicited to invest in such limited partnerships or in others for which NYLCAP Manager serves in a similar capacity.
- Private Advisors, LLC (File No. 801-55696), serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of New York Life Investments may be solicited to invest in such limited partnerships or in others for which Private Advisors serves in a similar capacity.

- MCF Capital Management LLC (File No. 801-73076), manages portfolios of commercial loans and related debt and equity investments. While MCF Capital Management maintains autonomous investment processes, it may leverage the resources and services of New York Life Investments for certain functions including the implementation of its Rule 206(4)-7 Compliance Program. In addition, certain officers of New York Life Investments may also serve as officers of MCF Capital Management.

From time to time, we may enter into arrangements with our affiliated investment advisers to recommend clients to each other. If we pay a cash fee to anyone for soliciting clients on our behalf or if we receive a cash fee from another investment adviser for recommending clients to it, we comply with the requirements of the SEC's cash solicitation rule to the extent that they apply. This rule requires a written agreement between the investment adviser and the person soliciting clients on its behalf. The rule may also require that the soliciting person provide a disclosure document to the potential client at the time that the solicitation is made. As required by the rule, we will not engage another person to solicit clients on our behalf if that person has been subject to securities regulatory or criminal action within the preceding ten years.

### **Banking Institution**

New York Life Trust Company is our affiliate and is a New York State chartered trust company. Some officers and employees of New York Life Investments are also officers, employees or directors of New York Life Trust Company. New York Life Trust Company acts as a directed trustee or custodian for the retirement plan accounts for which New York Life Investments is the recordkeeper. New York Life Trust Company effects securities transactions for such accounts, and, unless otherwise directed by the applicable plan sponsor, New York Life Trust Company utilizes the services of affiliated broker-dealers in effecting such transactions.

New York Life Investments also serves as subadviser to a collective investment trust for which New York Life Trust Company acts as trustee, and is the named custodian.

### **Insurance Company**

New York Life Investments is a wholly-owned, indirect subsidiary of New York Life. New York Life is a mutual insurance company that is an admitted insurer in all 50 states and in the District of Columbia. Subject to New York Life's supervision, we serve as the principal investment adviser for the general account and separate accounts of New York Life and NYLIAC, as well as for the general account of NYLAZ. NYLIAC and NYLAZ are wholly-owned subsidiaries of New York Life. New York Life and NYLIAC may also invest in the *Private Investment Funds* that we or our affiliates manage.

New York Life, NYLIAC and NYLAZ supervise our management of their accounts which make up a substantial portion of our assets under management. Some of our employees are also officers of New York Life in accordance with state insurance law requirements. Given the percentage of assets under management that are attributable to these entities, the



appearance of a conflict may arise as to the allocation of investment opportunities between them and our other clients.

To address this potential conflict of interest, we have adopted several trading procedures that are intended to ensure that all client accounts are treated fairly and equitably. Pursuant to these procedures, it is not permissible to allocate or re-allocate an order to enhance the performance of one account over another (see “*Brokerage Practices*” below). It is also not permissible to favor any account over another. Compliance with these requirements is monitored on a daily basis as part of our supervisory review process.

To further mitigate this potential conflict, our affiliated insurance company general accounts generally follow buy-and-hold strategies and have different investment objectives from our third-party and separate accounts, which generally follow total return strategies with specific benchmarks and investment objectives. As a result of these different strategies, transactions that are appropriate for an affiliated general account may not be appropriate for a separate account or unaffiliated account and vice versa. Such a determination is typically made by the portfolio manager prior to executing a trade, and the rationale for the investment decision is documented as part of the trading process. As noted above, allocation practices are reviewed for appropriateness on a daily basis by FIIG as part New York Life Investments’ supervisory review process. In addition, our Compliance Department conducts periodic reviews to ensure that allocation decisions are being properly documented.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING:**

### **Code of Ethics and Personal Trading**

New York Life Investments has a fiduciary relationship with our clients that requires that we and our employees place the interests of our clients first and foremost. As such, our Code of Ethics (the “Code”) covers all employees and sets forth guidelines that promote ethical conduct generally. In addition to the Code’s policies regarding personal securities trading, the Code requires our employees to follow policies and procedures relating to the conduct standards of our Code including: conflicts of interest, inside information and information barriers, gifts and entertainment, personal political contributions, and selective disclosure of mutual fund portfolio holdings. A copy of our Code is available upon request. Our contact information appears on the cover page of this brochure.

While we permit our employees to engage in personal securities transactions, as a company we recognize that these transactions may raise potential conflicts of interests. This is particularly true when they involve securities owned by, or considered for purchase or sale for, a client account.

We address potential conflicts of interests in our Code by requiring that, with regard to investments and investment opportunities, our employees’ first obligation is to our clients. Our Code requires that all of our employees adhere to the highest duty of trust and fair dealing. All employees: (i) must conduct their personal securities transactions in a manner

that does not interfere with any client's portfolio transactions, or take inappropriate advantage of an employee's relationship with a client, (ii) may not trade while in possession of material, non-public information, (iii) may not engage in short-term trading (the purchase and sale or sale and purchase within 30 days) of any mutual fund advised or subadvised by us, and (iv) must certify annually to compliance with the Code and related policies.

Some provisions of our Code, particularly with respect to personal trading, apply only to "Access Persons" and "Investment Personnel". Access Persons are defined as officers or directors of New York Life Investments, or employees who have access to non-public information regarding any client's purchase or sale of securities, or who have non-public information regarding the portfolio holdings of any mutual fund that we advise. While certain exceptions may apply, generally Access Persons:

- May not purchase or sell "Covered Securities" without pre-clearance through our Compliance Department. Covered Securities include everything except: i) transactions involving direct obligations of the US Government; ii) shares of unaffiliated open end investment companies; iii) commercial paper; iv) certificates of deposit; and v) high quality short term investments and interests in qualified state college tuition programs.
- May not profit from the purchase and sale or sale and purchase of the same Covered Security within 60 days.
- May not purchase or sell a Covered Security on a day when there is a buy or sell order for a client.
- May not purchase securities in initial public offerings or in connection with private placements except with the express written prior approval our Chief Compliance Officer.
- May not participate in Investment Clubs.
- Must file quarterly reports and certifications of covered trading activity.

Investment Personnel must adhere to the following additional restrictions. Investment Personnel are defined as employees who in connection with their regular functions participate in making recommendations regarding the purchase or sale of securities for client accounts (i.e., portfolio managers, traders and analysts):

- May not purchase or sell securities (subject to a de minimus threshold) for their own account if such securities have been purchased or sold for a client account in the prior seven days, or can reasonably be expected to be purchased or sold for a client account in the next seven days.
- May not trade in options with respect to individual securities.

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In the ordinary course of providing our investment advisory services, we may also recommend that clients purchase or sell securities or interests in which our affiliates have a material financial interest. For example:

- We are the investment adviser for the general and separate accounts of our parent company New York Life as well as for NYLIAC and NYLAZ which are wholly-owned subsidiaries of New York Life. New York Life Investments may recommend that clients purchase or sell securities that are also held in these affiliated accounts.
- We may purchase or sell shares of our proprietary mutual funds, *The MainStay Funds*, for client accounts.
- We may recommend investments to our clients that the clients of our advisory affiliates also own.
- We or an affiliate may serve as the general partner for a pooled investment vehicle that we advise and recommend to clients.

As a result of these recommendations and potential transactions, potential conflicts of interest could arise between us and our clients. These potential conflicts include:

- Unfair allocation of limited investment opportunities between our affiliated and unaffiliated accounts.
- Preferential allocation of investment opportunities to our accounts that pay a performance-based management fee.
- Placing trades for our affiliated accounts before or after trades for our other accounts to take advantage of (or avoid) market impact.
- Using information concerning transactions in our advisory affiliate's client accounts, or in *The MainStay Funds*, to the benefit of our client accounts.

These potential conflicts are mitigated by the fact that our affiliated insurance company general accounts generally have different investment strategies than our unaffiliated accounts (see the “*Industry Affiliations*” section above). As a result of these different strategies, transactions that are appropriate for an affiliated account may not be appropriate for an unaffiliated account and vice versa.

To further mitigate these potential conflicts of interest, when purchases or sales are appropriate for both an affiliated and an unaffiliated account, such orders are typically aggregated or “bunched” as one order. These orders are then allocated across client accounts

in a fair and equitable manner to ensure that no one client account receives preferential treatment over another (see “*Brokerage Practices*” below).

To address potential conflicts of interest across affiliates, each adviser affiliate operates independently with respect to investment strategy, trading and operations. Furthermore, affiliates are generally not privy to another affiliate’s information (i.e. investment decisions, research, client information) that may potentially pose conflicts of interest. Specifically, New York Life Investments and its affiliates have established information barrier policies that serve to limit the dissemination of material non-public information. In the event such information is shared, appropriate controls are placed around the information in order to limit any potential conflicts of interest.

## **ITEM 12: BROKERAGE PRACTICES**

### **BROKERAGE PRACTICES**

When we select or recommend a broker-dealer for transactions in our clients’ accounts, we consider a number of factors regarding the broker-dealer and the reasonableness of its compensation. The factors we consider in selecting a broker-dealer and determining the reasonableness of its compensation include:

- Security price and spreads;
- Commission rates, if applicable;
- Size of the order;
- Nature and extent of services and frequency of coverage;
- Integrity, reputation, financial responsibility and stability;
- Market knowledge and ability to understand trading characteristics of the security and overall performance;
- Ability to execute in desired volume and to act on a confidential basis;
- Willingness to commit capital;
- Access to underwritten offerings and secondary markets;
- Operational efficiency and facilities made available including trading networks, access to multiple brokers and markets, and significant resources for positioning as principals; and
- Nature and extent of research services (i.e., soft dollars).

When selecting a broker-dealer, we do not consider its referral of clients to us. We also do not consider its sale of shares of *The MainStay Funds* or of any private funds that we or any of our affiliates advise. While we may direct brokerage to broker-dealers that have consulting divisions that might refer clients or investors to us, we have no agreements to do so. When evaluating compensation (e.g., commissions), we are not required to solicit competitive bids, and do not have an obligation to seek the lowest available commission cost, but rather best overall execution.

For clients that invest through the SMAs, the wrap fee charged by the sponsor firm covers trade and execution services. As a result, the sponsor and client typically request that

transactions for clients' accounts be executed by the sponsor of the wrap fee program (or its affiliate) or a broker-dealer designated by the sponsor firm. In the event that the sponsor cannot provide "best execution" for a given transaction, we or the subadviser that we retain for the SMA has the option to trade away (that is, trade with a different broker-dealer). If this occurs, the client may incur a commission cost. The subadvisers who provide models with respect to trades in the SMAs may execute trades for other clients with similar strategies prior to our placing trades with wrap sponsors.

### **SOFT DOLLARS**

New York Life Investments receives brokerage and research services from broker-dealers that execute portfolio transactions for clients, and from third parties with which such broker-dealers have arrangements. The brokerage commissions that are used to acquire research in these types of arrangements are known as "soft dollars."

Specifically, New York Life Investments obtains soft dollar credits (to pay for soft dollar services) from the portfolios of *The MainStay Funds* that execute agency transactions including OTC agency transactions. These soft dollar credits may be generated by either New York Life Investments directly or by a subadviser to *The MainStay Funds*.

In all cases, the total amount of soft dollar commissions generated from each eligible *MainStay Fund* account is capped at 30% of eligible commissions on an annual basis. The nature of the products and services provided by brokerage firms generally include information and analysis concerning investment strategy, securities markets and economic and industry matters.

An inherent conflict of interest exists with respect to the use of soft dollars because of an investment advisers' ability to purchase certain products and services on a cash basis using its own resources. Thus, the adviser has an incentive to disregard its best execution obligation when directing transactions and an incentive to generate more trades to earn soft dollar credits for services.

To manage the conflicts related to soft dollar usage, we, and each subadviser to *The MainStay Funds*, reviews all soft dollars and determines in good faith that the amount of commissions paid is reasonable in relation to the value of the brokerage and research services provided. In addition, soft dollar arrangements are only entered into for services and products that qualify under the "safe harbor" provisions set forth in Section 28(e) ("Section 28(e)") of the Securities Exchange Act of 1934, as amended.

Research products and services provided by brokers through which transactions are effected on behalf of client accounts are used for the benefit of all clients collectively. We also seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits that are generated by the account.

Sometimes, a portion of the brokerage and research products and services used by our subadvisers are eligible under Section 28(e) and another portion is not eligible. These are referred to as "mixed-use" products and services. When this occurs, the subadviser will

make a good faith allocation between the research and non-research portion of services, and will use its own funds to pay for the percentage of the service that is used for non-research purposes.

### **AGGREGATION AND ALLOCATION**

If we believe that the purchase or sale of the same security is in the best interest of more than one client, we may aggregate the securities to be sold or purchased. We will not aggregate trades (also known as “bunching” trades) unless we believe that doing so is consistent with our duty to seek best execution for our clients.

When we allocate bunched trades to client accounts, we do not favor the interest of one client over another. In addition, it is not permissible to allocate or re-allocate an order to enhance the performance of one account over another, or to favor one account over another.

To the extent possible, orders are pre-allocated prior to execution. However, there may be instances where pre-allocating certain trades may not be feasible or practicable given the unique nature of the respective market. In these instances, an allocation is made promptly following confirmation of the trade. Such allocation will never unfairly discriminate against or advantage one account over another.

There may be instances when there is a limited supply for a particular security or investment opportunity. In such cases, all orders will receive an equitable allocation based on account suitability and account size, and where appropriate, adjusted in consideration of a “normal minimum holding”. Normal minimum holdings are determined based on characteristics of the particular asset class.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **MONITORING**

#### **Fixed Income Investors Group**

All FIIG managed accounts are monitored continuously in an effort to ensure that client objectives are being achieved. Each FIIG investment team has the primary responsibility for review of the accounts it is managing, including review of the appropriateness of portfolio holdings and transactions in light of each account’s investment objectives, guidelines and restrictions. Investment Team reviews may include (depending on the asset class) reviews of sectors, securities, trade levels, durations and yield exposures.

Formal weekly and informal ad hoc meetings are typically held to discuss portfolio positions, strategies, trends and relative value. Where possible, portfolio attributions versus the benchmarks are calculated monthly/quarterly to determine how investment decisions and associated risks have performed. Quarterly portfolio reviews are also conducted which typically include a review of attribution, strategies and account performance versus portfolio benchmarks.

In addition, all FIIG trading activity is reviewed daily/weekly by a supervisor or his delegate to ensure that all trading was conducted in accordance with firm procedures. In all cases, accounts are subject to review by Compliance Personnel who monitor account trading on a daily basis with the assistance of Aladdin, our front-end trade order management and compliance system that incorporates pre-trade and post-trade compliance testing against account restrictions. Our Compliance Personnel review and investigate any alerts or breaches identified by the system.

Finally, with respect to custodial reconciliations, on a daily basis our Securities Operations Department reconciles our records for cash, transactions, and holdings to the custodian bank's records, and researches and resolves any discrepancies in a timely manner. With respect to our affiliated accounts, holdings are reconciled monthly. A significant portion of our reconciliation process has been automated to avoid mistakes and to reinforce controls. All reconciliation breaks are recorded and tracked to ensure timely and proper resolution. To confirm trades, our Securities Operations Department transmits trades via OMGEO (depending on the broker) while simultaneously remitting trade instructions via SWIFT to the appropriate custodian.

### **Separately Managed Accounts Group**

For our SMAs, certain elements of the account maintenance and reconciliation functions have been outsourced to a third party vendor. Nonetheless, our SMA Group continues to be responsible for overseeing client accounts. As such, on a daily basis, performance is reviewed by the SMA Group to gauge actual portfolio performance against model portfolio performance. Deviations from the model portfolios are appropriately addressed and corrected. In addition, investment guidelines are monitored on a pre-trade basis via our sub-administrators' Fiserv APL Accounting System. On a daily basis the SMA Group also reviews: i) trade reconciliation reports; ii) new account activity; iii) cash reports; and iv) trade settlement reports.

### **Mutual Funds**

For *The MainStay Funds*, our Mutual Fund Compliance Department works with the Funds' administrator to conduct daily back-end reviews of each fund portfolio to ensure that the investment policies, restrictions, and objectives are being met. In addition, on a monthly basis, each mutual fund portfolio manager is asked to certify that the account has been in compliance throughout the month and that all trade errors have been properly reported.

### **Trade Errors**

New York Life Investments has a policy in place pertaining to the correction of trade errors. In the event that an error occurs, the error is identified and corrected as soon as practicable. Generally, client accounts are made whole for any losses. However, pursuant to the policy, we may not reimburse for a de minimis error, which is defined as a loss of \$25 or less.

## **CLIENT REPORTING**

With respect to client reporting, the content and frequency of client reports varies by client. Such reporting requirements are typically part of the contract negotiations and are memorialized in the signed investment management agreement. Our client reports typically include portfolio holdings, transaction and performance information, and information covering capital markets and portfolio outlook. Customized reporting is typically provided as frequently as desired by clients. With respect to our SMAs, account holders typically receive client reports from the account sponsor and do not receive client reports from us.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Under a client and investor services agreement with one of our affiliated investment advisers, the adviser pays us a percentage of the compensation that it receives from certain of its international investment advisory clients and international investors in private investment funds that it manages, in exchange for us providing client relations services to these clients/investors. We also have a solicitation services agreement in place with the same affiliated investment adviser under which the adviser pays us for soliciting certain international investment advisory clients. The compensation that the adviser pays to us under this agreement does not increase the fees or costs payable by the adviser's client or investor. In addition, we do not exercise investment discretion or otherwise provide investment advice to the adviser's international clients.

In addition to the solicitation agreement noted above, from time to time we may enter into other solicitation agreements with certain of our other affiliated investment advisers to refer clients to each other. In this case we may pay or receive a cash fee for such referrals. If we pay or receive a cash fee for client referrals, we comply with the requirements of the SEC's cash solicitation rule to the extent that they apply.

Finally, at times we may have arrangements in place whereby we compensate an unaffiliated third-party for soliciting investors to invest in pooled investment vehicles managed or subadvised by New York Life Investments. These arrangements will be disclosed to the investor in the respective offering memorandum. This is not a solicitation of advisory services and therefore, the arrangement does not fall under SEC Rule 204(4)-3 regarding solicitation arrangements.

## **ITEM 15: CUSTODY**

We do not have direct custody of client funds or securities. All client accounts are maintained at qualified custodians, such as banks or broker-dealers that are chosen by the client. Clients receive account statements directly from their custodians. In addition, clients receive duplicate account statements from us. When you receive an account statement from us, you are encouraged to compare it to the account statement that you received from your custodian. The two statements should be consistent.



In rare cases, we may be deemed to have indirect custody of a client's account because the account is custodied with an affiliate or because we serve as general partner to a limited partnership. When we are deemed to have indirect custody of a client's account, we comply fully with the custody rules under the Investment Advisers Act of 1940.

### **ITEM 16: INVESTMENT DISCRETION**

We have investment discretion to manage securities on behalf of client accounts. Clients may impose restrictions on this discretion by, among other things, prohibiting the purchase of specific securities, or prohibiting the purchase of securities within a specific industry. Clients may also restrict the use of certain broker-dealers to execute trades, or may restrict the amount of securities that can be bought or sold within the account. We may also accept client accounts on a non-discretionary basis.

Client imposed restrictions are detailed in the client's investment advisory agreement. Prior to boarding a new client account, we obtain all necessary information to ensure that the account, including any relevant restrictions, is properly established on our trading and accounting systems.

### **ITEM 17: VOTING CLIENT SECURITIES**

New York Life Investments has adopted a Proxy Voting Policy. This Policy is designed to ensure that all proxies are voted in the best interest of our clients without regard to our interests or the interests of our affiliates.

To assist us in researching and voting proxies, we have engaged Institutional Shareholder Services ("ISS") which is a third party proxy service provider. Where a client has contractually delegated proxy voting authority to us, we vote proxies in accordance with ISS' standard voting guidelines unless the client provides us with alternative guidelines. Alternative guidelines must be detailed in the client's investment advisory agreement.

A portfolio manager can override an ISS voting recommendation if he/she believes it is in the best interest of our clients to vote otherwise. To override an ISS recommendation, the portfolio manager must submit a written override request to our Compliance Department. Upon receipt of an override request, Compliance reviews the request to determine whether any potential material conflict of interests exist between us and our clients.

Material Conflicts may exist when we or one of our affiliates:

- Manages the issuer's or proponent's pension plan.
- Administers the issuer's or proponent's employee benefit plan.
- Provides brokerage, underwriting, insurance or banking services to the issuer or proponent.
- Manages money for an employee group.

Additional material conflicts may exist if one of our executives is a close relative of, or has a personal or business relationship with:

- An executive of the issuer or proponent.
- A director of the issuer or proponent.
- A person who is a candidate to be a director of the issuer.
- A participant in the proxy contest.
- A proponent of a proxy proposal.

A material conflict may also exist when we manage a separate account, a fund or other collective investment vehicle that invests in *The MainStay Funds*.

If a potential conflict exists, our Compliance Department refers the override requests to our Proxy Voting Committee for appropriate resolution. The Proxy Voting Committee considers the facts and circumstances of the potential conflict, and determines how to vote. This determination could include: permitting or denying the override request; delegating the vote to an independent third party; or obtaining voting instructions from the client.

With respect to proxy votes relating to *The MainStay Funds*, to avoid potential conflicts of interest, we vote such proxies in accordance with ISS' voting recommendation. If ISS does not have a recommendation, we address the conflict by referring the vote to the subadviser of the underlying fund.

Clients of New York Life Investments wishing to obtain a copy of our proxy voting policies and procedures or information as to how proxies were voted for securities held in their account, should send a written request to:

New York Life Investments  
169 Lackawanna Avenue  
Parsippany, New Jersey 07054  
Attention: Tara McAleer, Chief Compliance Officer

## **ITEM 18: FINANCIAL INFORMATION**

At this time, New York Life Investments is not required to file a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

New York Life Investments is registered with the SEC and provides notice filings to certain states. We are not registered with any state securities authorities.