



This ADV brochure, dated March 20 2015  
provides information about the qualifications and business practices of:

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

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

If you have any questions about the content of this brochure please contact:

**Dawn Pallitto  
Chief Compliance Officer  
Telephone Number: 973-394-4461  
Facsimile Number: 973-394-4635  
[dawn\\_pallitto@nylim.com](mailto:dawn_pallitto@nylim.com)**

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 25, 2014, the following material changes were made:

- NYL Investors LLC, an affiliated investment adviser, was formed in October, 2013. Prior to its formation, the investment divisions of NYL Investors LLC operated as part of New York Life Investment Management LLC. As such, the fixed income investment strategies offered by these investment divisions were reflected in our Form ADV.

Since our last annual update, the client accounts that are managed by these former investment divisions were contractually assigned from New York Life Investment Management LLC to NYL Investors LLC. As such, our Form ADV has been revised to remove references the investment strategies offered by these former investment divisions. It has also been revised to remove references to the potential conflicts of interest that were presented by the activities of these former investment divisions since these potential conflicts are no longer applicable to our business.

- Disclosure was added to reflect that in December, 2014, New York Life Investments signed an agreement to sell our Retirement Plan Services (“RPS”) business, excluding the stable value business, to John Hancock which will merge RPS with John Hancock Retirement Plan Services. This transaction is expected to close the first half of 2015, and accounts (including *OnTarget*) are expected to transition to John Hancock over a period of several months post closing.

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## **ITEM 4: ADVISORY BUSINESS**

New York Life Investment Management LLC ("New York Life Investments" or the "Firm") 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 the date of this brochure, New York Life Investments managed \$109,513,215,199 of client assets on a discretionary basis, and \$3,943,820,132 of client assets on a non-discretionary basis.<sup>1</sup>

Founded by New York Life in April, 2000, New York Life Investments is currently comprised of our Strategic Asset Allocation and Solutions Group ("SAS"), Separately Managed Accounts Group ("SMA Group"), mutual fund division, and retirement plan services business. Through these business units, we provide a broad array of investment advisory services to affiliated insurance company clients, third-party institutional clients, investment companies, other pooled investment vehicles, and wrap fee programs sponsored by unaffiliated entities (see "*Types of Clients*" section below). These advisory services may be tailored to meet our 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 a program sponsor.

### **Strategic Asset Allocation and Solutions Group**

SAS offers asset allocation advisory services typically through a fund-of-funds structure although separate accounts that utilize individual securities and derivative instruments are also offered. SAS has expertise in tactical asset allocations utilizing macro-economic views as well as knowledge of investment risks and correlation of various asset classes across equities, fixed income and alternative asset classes to provide active management and risk adjusted active return to client's stated benchmark or objective.

SAS is an asset allocator and will invest through both active alpha generators of underlying individual strategies as well as passive vehicles such as Exchange Traded Funds ("ETFs"). SAS employs a team-oriented approach to managing multi-asset portfolios for affiliated and unaffiliated clients in the institutional and retail markets. Additionally, SAS' services include assisting clients with solutions based investing by working with the client to design the strategic benchmark that may fit their intended objective.

### **Separately Managed Accounts Group**

Our SMA Group performs the operational and administrative trading functions for 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 sponsor for a single charge (commonly referred to as a "wrap fee program"). In these cases, we rely on the

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<sup>1</sup> Based on 12/31/14 account values.

program sponsor to determine the suitability of our services for the client, and for the 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 operational, administrative and trading services, and engage subadvisers to provide subadvisory and trading services as applicable. In rare cases, the client may pay an advisory fee directly to us rather than through the sponsor.

We currently have subadvisory agreements with the following affiliated federally registered investment advisers: MacKay Shields LLC (“MacKay”) (SEC File No. 801-5594) and Institutional Capital LLC (“ICAP”) (SEC File No. 801-40779). In addition, we have a subadvisory agreement with Epoch Investment Partners, Inc. (“Epoch”) (SEC File No. 801-63118) which is an unaffiliated subadviser. Finally, we retain a third-party vendor, SEI Global Services Inc., to provide certain non-advisory administrative services.

Our SMA Group offers the following investment strategies: i) convertible bonds; ii) municipal bonds; iii) small-mid cap equity; iv) large cap equity; v) large cap value equity; vi) all cap equity; vii) global choice equity; and viii) global equity yield. MacKay is the subadviser to the convertible bond and municipal bond strategies. ICAP is the subadviser to the large cap value equity strategy. Epoch 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 (“UMA”) and Diversified Managed Accounts (“DMA”). 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 subadvisers noted above.

### **Mutual Funds**

Our mutual funds division offers fixed income and equity advisory services to various proprietary registered investment companies including: The MainStay Funds (File No. 811-4550); MainStay VP Funds Trust (File No. 811-03833-01); MainStay Funds Trust (File No. 811-22321); and MainStay Defined Term Municipal Opportunities Funds (File No. 811-22551). In addition, New York Life Investments serves as the investment adviser to the Private Advisors Alternative Strategies Fund (File No. 811- 22647) and Private Advisors Alternative Strategies Master Fund (File Nos. 811- 22646). These registered investment companies are referred to herein collectively as the “*The MainStay Funds*” which is also the name under which most of the funds are marketed.

For certain portfolios of *The MainStay Funds*, New York Life Investments manages the money directly. For all other portfolios, 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),

Cornerstone Capital Management LLC (File No. 801-45262), Cornerstone Capital Management Holdings LLC (SEC File No. 801-69663) Candriam Belgium SA (SEC File No. 801-80508) and Private Advisors LLC (File No. 801-55696). 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); 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); Marketfield Asset Management LLC (SEC File No. 801-77055) and T. Rowe Price Associates, Inc. (SEC File No. 801-856).

For additional information regarding *The MainStay Funds*’ fees, 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.mainstayinvestments.com](http://www.mainstayinvestments.com).

### **Retirement Plan Services**

Our retirement plan services business (“RPS”) 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.

RPS offers advisory services through its *On Target* product. A separate brochure has been filed with the SEC describing this product. The brochure is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that in December, 2014, New York Life Investments signed an agreement to sell RPS, excluding the stable value business, to John Hancock which will merge RPS with John Hancock Retirement Plan Services. This transaction is expected to close the first half of 2015, and accounts (including *OnTarget*) are expected to transition to John Hancock over a period of several months post closing.

### **Other**

New York Life Investments maintains a Cross Border Discretionary Investment Management License in Korea and has entered into investment management agreements with certain Korean based clients. In connection with these Korean based clients, New York Life Investments obtained a Korean Delegation pursuant to which we hired our advisory affiliate, NYL Investors LLC (“NYL Investors”), to serve as the sub-adviser to these accounts. New York Life Investments has also hired NYL Investors to serve as subadviser to a series of collateralized loan obligation funds for which we serve as collateral manager (“CLOs”). As a result of these subadvisory arrangements, certain personnel within NYL Investors’ Fixed Income Investors and High Yield Credit groups have been dual hatted to New York Life Investments in order to facilitate the management and administration of the CLOs and the Korean based accounts. NYL Investors (SEC File No 801-57396) was formed in October,

2013, and is a wholly-owned subsidiary of our parent company New York Life. Prior to its formation, NYL Investor's investment divisions operated as part of New York Life Investments. NYL Investors is an SEC registered investment adviser and maintains a separate Form ADV Brochure that describes the investment process, risks, conflicts and fees associated with the management of these CLOs and Korean based accounts.

## **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 ("IMA") or governing documents in the case of a mutual fund. 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 or an average. Where we are responsible for valuing a client's portfolio for fee billing or investment performance purposes, we generally use pricing information provided by an independent pricing vendor. In the event that a vendor is unable to provide a price for a security, or provides a price that we do not believe it accurate, we will determine a fair value for the security that we accurately reflect the value of the security. When this occurs, we could have an incentive to value these securities higher in an effort to generate greater fees or higher investment returns. To mitigate this potential conflict, we have adopted policies and procedures that are reasonable designed to ensure that all securities are properly valued.

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 IMA. If a contract is terminated, all advisory fees are subject to pro-rata adjustment, based upon the date of termination.

### **Strategic Asset Allocation and Solutions Group**

SAS offers asset allocation advisory services typically through a fund-of-funds structure. In these instances, the fees associated with the accounts managed by SAS are disclosed in each fund's governing documents. Fees for custom separate account management services are negotiable and typically range from 0.15% to 0.25% based on account size, objective and other parameters.

### **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 investment strategy, 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 the 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 certain 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.

## **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 or an affiliate may 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 to the advisory client.

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

As collateral manager to a series of CLOs, New York Life Investments is entitled to receive additional compensation on a subordinated basis if certain performance targets are achieved. However, pursuant to the agreement that we entered into with NYL Investors, 100% of any subordinated fees received by New York Life Investments are passed on to NYL Investors as subadviser to the CLOs.

We do not receive any performance based fees in connection with the management of any other advisory client accounts.

## **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, third-party institutional clients, investment companies, other pooled investment vehicles, and wrap fee programs sponsored by unaffiliated entities.

### **Strategic Asset Allocation and Solutions Group**

SAS offers asset allocation advisory services typically through a fund-of-funds structure. Therefore, the minimum account size for an SAS managed account is dictated by the funds governing documents.

### **Separately Managed Accounts Group**

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 UMAs and DMAs.



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

### **Strategic Asset Allocation and Solutions Group**

The SAS Group offers asset allocation advisory services, typically through a fund-of-funds structure, with the goal of improving return versus a client's stated benchmark. SAS relies upon a combination of valuation metrics, technical indicators, and macro-economic views when developing return estimates, and brings extensive risk modeling expertise to the portfolio management process. Depending on account guidelines, underlying investments may be made in open end mutual funds, exchange traded funds, or individual equity, bond, and derivative securities.

SAS uses a top-down driven investment process to determine asset allocation and portfolio analytics to construct and implement risk aware investment portfolios. The SAS Group believes that careful analysis of economic and market data provides insight into the prospects for corporate earnings growth broadly and the direction of potential price changes across large populations of securities. SAS tries to identify macro themes with systemic influence over market pricing and looks for fund investments, composites of individual securities, or derivatives based upon those composites that can be used to take advantage of these systematic themes.

The SAS Group's investment process begins with the collection of data and ideas as they relate to business, consumer, government activity and market pricing. From this information, SAS seeks to find segments of the securities markets that are attractively valued, that are dominated by issuers poised to benefit from developing economic conditions, and that are likely to experience favorable net capital flows from investors.

Risk parameters are also estimated. SAS considers realized volatility and correlation patterns, trends, and information embedded in derivatives pricing when developing risk and co-risk inputs. The portfolio construction process incorporates not only the group's return and risk projections, but also recognizes that there may be significant error associated with forecasting and so requires a confidence metric reflecting how comfortable SAS is with its projections. A robust optimization designed to accommodate imprecision is then performed. The net result is typically an asset allocation solution that is more stable and less sensitive to estimation error than a standard optimization run.

The principal risks associated with SAS' investment strategy include:

- *Asset Allocation Risk.* Although allocation among different asset classes generally limits exposure to the risks of any one class, the risk remains that SAS may favor an asset class that performs poorly relative to the other asset classes. For example, deteriorating stock market conditions might cause an overall weakness in the market that reduces the absolute level of stock prices in that market. Under these circumstances, if SAS were invested primarily in stocks, the account would perform poorly relative to a portfolio invested primarily in bonds. Similarly, SAS could be

incorrect in its analysis of economic trends, countries, industries, companies, the relative attractiveness of asset classes or other matters.

- *Exchange-Traded Fund Risk:* The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile than the underlying portfolio of securities. Disruptions in the markets for the securities underlying ETFs purchased or sold for an account could result in losses on investment in ETFs. ETFs also have management fees that increase their costs versus the costs of owning the underlying securities directly.
- *Concentration Risk:* To the extent that a fund-of-funds managed by SAS invests a significant portion of its assets in a single underlying fund, it will be particularly sensitive to the risks associated with that underlying fund and changes in the value of that underlying fund may have a significant effect on the net asset value of the fund-of-funds. Similarly, the extent to which an underlying fund invests more than 25% of its assets in a single industry or economic sector may also adversely impact the fund-of-funds depending on its level of investment in that underlying fund.
- *Conflicts of Interest:* Potential conflicts of interest situations could occur. For example, SAS may be subject to potential conflicts of interest in selecting the underlying funds for its fund-of-funds clients because the fees paid to it and its affiliates by some underlying funds are higher than the fees paid by other underlying funds. In addition, SAS' portfolio managers may also serve as portfolio managers to one or more underlying funds that its fund-of-fund clients invest in and may have an incentive to select certain underlying funds due to compensation considerations. Moreover, a situation could occur where proper action for the fund-of-funds could be adverse to the interest of an underlying fund or vice versa. SAS has a fiduciary duty to its clients to act in the best interest of its clients in selecting underlying funds. As such, it will take the necessary steps to minimize and, where possible, eliminate these potential conflicts of interest.

### **Separately Managed Accounts Group**

Our SMA Group offers the following investment strategies: i) convertible bonds; ii) municipal bonds; iii) small-mid cap equity; iv) large cap equity; v) large cap value equity; vi) all cap equity; vii) global choice equity; and viii) global equity yield. MacKay (SEC File No. 801-5594) is the subadviser to the convertible bond and municipal bond strategies. ICAP (SEC File No. 801-40779) is the subadviser to the large cap value equity strategy. Epoch (SEC File No. 801-63118) is the subadviser to the small-mid cap equity, large cap equity, all cap equity, global choice equity and global equity yield strategies.

For additional information regarding the SMA Group's investment strategies and associated risks please refer to each subadviser's Form ADV Part II Brochure which is provided to underlying account owners when they enter into an investment management agreement and annually thereafter.

## **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 was a series of *The MainStay Funds* and was 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 we 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 the 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"). NYLIFE Distributors is our affiliate and is registered as a broker-dealer with the SEC. NYLIFE Distributors 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.

NYLIFE Distributors may compensate registered employees who promote the sale of *The MainStay Funds* for their efforts, and New York Life Investments may make payments to

NYLIFE Distributors to help fund such compensation.

We do not use affiliated broker-dealers to execute securities transactions for our clients. However, in instances where our advisory client purchase *The MainStay Funds*, NYLIFE Distributors may be listed as the dealer of record on the account.

### **Investment Companies**

We serve as the investment adviser for *The MainStay Funds* (see *Advisory Business-Mutual Funds*).

### **Investment Advisers**

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

- NYL Investors LLC (File No. 801-57396): acts as a subadviser for certain mutual funds and institutional accounts for which New York Life Investments serves as adviser. As noted above, in some cases, employees of NYL Investors LLC may be dual hatted and acting in an advisory and administrative capacity with respect to certain CLOs and Korean based accounts managed by New York Life Investments.
- MacKay Shields LLC (File No. 801-5594), acts as a subadviser for certain mutual funds for which New York Life Investments serves as adviser. MacKay Shields LLC also provides advisory services to 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 certain mutual funds for which New York Life Investments serves as adviser. Institutional Capital also provides advisory services to separately managed account clients who participate in wrap programs that are sponsored by unaffiliated investment advisers or broker-dealers.
- Cornerstone Capital Management Holdings LLC (“Cornerstone”) (File No. 801-69663), acts as a subadviser for certain mutual funds for which New York Life Investments serves as adviser. NYL Investments has also entered into a Services Agreement with Cornerstone pursuant to which Cornerstone and certain dual-hatted Cornerstone employees provide a variety of services to NYL Investments including certain trade execution, administration and communication services as well as periodic reporting and other administrative services. NYL Investments also provides a variety of administrative services

to Cornerstone.

- Cornerstone Capital Management LLC (File No. 801-45262) acts as a subadviser for certain mutual funds for which New York Life Investments serves as adviser.
- Candriam Belgium SA (SEC File No. 801-80508) acts as a subadviser for certain mutual funds for which New York Life Investments serves as adviser.
- GoldPoint Partners 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 GoldPoint Partners serves in a similar capacity.
- Private Advisors, LLC (File No. 801-55696), acts as a subadviser for certain mutual funds for which New York Life Investments serves as adviser. Private Advisors 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 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 in which clients of New York Life Investments may invest.

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.

With the exception of the dual hatting relationships with NYL Investors LLC and Cornerstone, the investment management and operations functions at New York Life Investments and our affiliates are generally autonomous and operate separately from each other. These functions include all decision making on what, how and when to buy, sell or hold securities in client portfolios, the trading related to implementation of these decisions and operations. This policy is intended to limit the dissemination of inside information and to permit the investment management, trading and operations functions of each firm to operate without regard to or interference from the other. We believe this separation is in the best interest of clients of the firms as operating independently permits each firm to pursue the investment objectives of clients without reference to limitations resulting from investment

activities of the other. To support this policy, we have adopted certain procedures, including a portfolio information barrier between us and these other affiliated investment firms. In the event such information is shared, appropriate controls are placed around the information in order to limit any potential conflicts of interest.

### **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 RPS business (soon to be merged with John Hancock Retirement Plan Services) is the recordkeeper. New York Life Trust Company effects securities transactions for such accounts, and, unless otherwise directed by the applicable plan sponsor, may utilize the services of affiliated broker-dealers in effecting such transactions.

### **Insurance Company**

New York Life Investments is an indirect wholly-owned 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. SAS manages a portion of the New York Life general account. As a result, the appearance of a conflict may arise as to the allocation of investment opportunities between New York Life and SAS' other clients. However, the New York Life general account has an investment objective that is different from the objectives of SAS' other clients. As a result of these different objectives, transactions that are appropriate for New York Life will typically not be appropriate for SAS' other clients 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.

## **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:

- Subject to certain exceptions, 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:

- SAS manages a portion of the New York Life general account. As such, they may recommend that unaffiliated clients purchase or sell securities that are also held in this affiliated account.
- 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.

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.
- 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 the New York Life general account generally has a different investment strategy than SAS' unaffiliated accounts (see the "*Industry Affiliations-Insurance Company*" section above). As a result of these different strategies, transactions that are appropriate for the New York Life typically will not be appropriate for an unaffiliated SAS managed account and vice versa.

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) 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**

#### **Strategic Asset Allocation and Solutions Group**

NYL Investments has entered into a Services Agreement with Cornerstone Capital Management Holdings LLC (“Cornerstone”) pursuant to which certain Cornerstone dual-hatted employees provide certain trading execution, administration and communication services for certain accounts managed by the SAS Group. Pursuant to this arrangement, all orders must be initiated by an individual within SAS who has authority to make decisions to buy or sell securities for specific accounts (typically the portfolio manager). Trade instructions/orders are submitted to the Cornerstone trading desk by SAS via email. Upon receipt, the trading desk uploads the trading instructions into Cornerstone’s trade order management system. The emailed instructions are in the form of a trade blotter and contain all pertinent information including among other things pre-allocation by account. Upon receipt of the order, the Cornerstone dual-hatted employees on the trading desk determine which broker to use. When selecting or recommending a broker-dealer, such personnel consider a number of factors regarding the broker-dealer and the reasonableness of its compensation including:

- 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, neither we nor Cornerstone consider the broker’s referral of clients to us or to Cornerstone. 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, however 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.

### **Separately Managed Accounts Group**

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, has the option to trade with a different broker-dealer. If this occurs, the client may incur a commission cost. For equity wrap programs, we may implement a rotation methodology that is reasonably designed to avoid systematic favoring of one sponsor or product over another and to trade similarly situated accounts equitably over time. We note however, that there may be instances when prevailing market conditions or the nature of an order requires us to deviate from our standard rotation.

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. In addition, we/our subadvisers may not conduct transactions on behalf of our wrap accounts as frequently as we do on behalf of other clients because, among other reasons, the wrap program transactions may be de minimis due to the wrap fee programs lower minimum account balances and/or minimum size order requirements. Finally, New York Life Investments may not be able to accommodate investment restrictions that are unduly burdensome or materially incompatible with our investment approach. Clients are encouraged to consult their own financial advisors and legal and tax professionals on an initial and continuous basis in connection with selecting and engaging the services of an investment manager and a particular strategy and participating in a wrap or other program. In the course of providing services to program clients who have financial advisors, we may rely on information or directions communicated by the financial advisor acting with apparent authority on behalf of its clients.

For clients that invest through a UMA or DMA program, NYL Investments provides the program sponsor with a copy of the model portfolio. The program sponsor, which typically has complete investment discretion with respect to the trading conducted in the underlying accounts, then implements the model in accordance with its internal investment and trading procedures. In the event that NYL Investments serves as investment manager to more than one UMA/DMA programs that follows the same investment strategy, we will implement the rotation methodology described above in order to ensure that all clients are treated fairly and equitably over time.

### **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*.

Generally, the total amount of soft dollar commissions generated from each eligible *MainStay Fund* account is capped at approximately 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, such allocation will never unfairly discriminate against or advantage one account over another.

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

### **MONITORING**

#### **Strategic Asset Allocation and Solutions Group**

All SAS managed accounts are monitored continuously in an effort to ensure that client objectives are being achieved. Holdings, performance, and risk reports are generated and reviewed daily. SAS meets formally at least once a week, often more frequently, to review the prevailing markets conditions, reassess existing positioning, and to discuss new trading ideas.

#### **Separately Managed Accounts Group**

For our SMAs, certain elements of the account maintenance and reconciliation functions has been outsourced to a third party vendor. Nonetheless, our SMA Group continues to be responsible for overseeing client accounts. As such, on a regular 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 resolved. In addition, investment guidelines are monitored 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.

#### **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, it 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 we define as a loss of \$25 or less.

With respect to trade errors that occur in the wrap fee accounts managed by our SMA Group, such errors are typically corrected in accordance with each sponsor's trade error policy. This may include the use of a trade error account that is maintained at the sponsor.

#### **Compliance Oversight**

New York Life Investments' Compliance Department is an extension of the New York Life Corporate Compliance Department. The Chief Compliance Officer of New York Life Investments is responsible for the oversight and maintenance of the compliance function. Under this structure, certain compliance and other support functions within New York Life Investments are supported by the infrastructure within the Corporate Compliance Department of New York Life.

New York Life Investments is an investment adviser registered with the SEC under Section 203 of the Investment Advisers Act of 1940 (the “Advisers Act”). As such, pursuant to Rule 206(4)-7 under the Advisers Act it is unlawful for us to provide investment advice to clients unless we: i) have written policies and procedures in place that are reasonably designed to detect and prevent violations of the Advisers Act, ii) review no less frequently than annually, the adequacy of our policies and procedures and the effectiveness of their implementation; and iii) designate a Chief Compliance Officer responsible for administering the policies and procedures under the rule. Pursuant to the Rule, we have put in place a comprehensive program that includes extensive written policies and procedures that are reasonably designed to detect and prevent violations of the Advisers Act and other governing laws and regulations. Such policies and procedures include those relating to supervisory activity, portfolio management, trading practices, soft dollars, code of ethics, personal trading, information barrier, books and records, sales and marketing, pricing, proxy voting, new clients, anti-money laundering, privacy and business continuity (the “Compliance Program”).

Although we acknowledge that compliance is the responsibility of all employees, Compliance Department is primarily responsible for overseeing the implementation of the Compliance Program. As such, Compliance maintains an assessment calendar which provides for a portion of the Firm’s policies and procedures to be assessed each quarter. Testing criteria includes ongoing evaluations and tests of the effectiveness of the Firm’s Compliance Program including ensuring the each policy and procedure properly reflects current implementation practices and applicable rules and regulations. Procedures are revised as needed throughout the year to better reflect implementation practices or to reflect rule changes. The results of these reviews, including procedural revisions that are made, are reported to the NYL Investments Compliance Committee on a semi-annual basis.

### **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 client’s 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**

We do not have any client referral arrangements in place at this time. However, from time to time we may enter into 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.

## **ITEM 15: CUSTODY**

New York Life Investments is deemed to have indirect custody of the retirement plan accounts enrolled in the *OnTarget* Service because our affiliate, New York Life Trust Company, is a qualified custodian for the applicable retirement plan. In order to comply fully with the custody rules under the Investment Advisers Act of 1940, New York Life Investments coordinates to have an annual surprise examination of the *OnTarget* Service conducted by an independent public accountant. The results of this annual surprise examination are filed with the SEC.

We do not have direct or indirect custody of any other client funds or securities. All other 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.

## **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. 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. With respect to *The MainStay Funds* however, we may delegate responsibility for voting proxies to the fund's subadviser. When this occurs, the proxy is voted in accordance with the subadviser's proxy voting policy or in accordance with *The MainStay Funds* custom voting policy.

To assist us in researching and voting proxies for those accounts for which we have retained voting rights, we have engaged Institutional Shareholder Services ("ISS"), 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.

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.

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*. When we receive a proxy in our capacity as a shareholder of an underlying portfolio of *The MainStay Funds*, we will vote in accordance with the recommendation of ISS based on our pre-determined guidelines. If there is no relevant predetermined guideline, then we will vote in accordance with the recommendation of ISS based on its research. If ISS does not provide a recommendation, we then may address the conflict by "echoing" or "mirroring" the vote of the other shareholders in those underlying funds."

A copy of our proxy voting policies and procedures or information as to how proxies were voted for securities held in their account is available upon request.

## **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. New York Life Investments has no financial

condition that impairs its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy proceeding.

**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.