



This ADV brochure, dated March 2, 2015  
provides information about the qualifications and business practices of:

**NYL INVESTORS LLC**  
**51 Madison Ave**  
**New York, New York 10010**

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NYL Investors is a service mark used by NYL Investors LLC.

*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 NYL Investors 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**

NYL Investors LLC is required to identify and discuss any material changes made to this Brochure since its last annual update filed on March 28, 2014.

Effective February 2, 2015, Tara McAleer was appointed Chief Compliance Officer of NYL Investors LLC, replacing James Capezzuto.

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

NYL Investors LLC (“NYL Investors” or the “Firm”) is a direct, wholly-owned subsidiary of New York Life Insurance Company (“New York Life”).

NYL Investors 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; and other pooled investment vehicles (see “*Types of Clients*” section below).

Prior to the formation of NYL Investors in October 2013, our investment divisions operated as part of New York Life Investment Management LLC (“NYLIM”) which is an indirect wholly-owned subsidiary of New York Life. NYL Investors is comprised of the following investment divisions: (i) Fixed Income Investors (ii) Real Estate Investors and (iii) Private Capital Investors. Through these investment divisions, the Firm 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.

As of December 31, 2014, NYL Investors had the following client assets under management: \$ 213,201,576,213 on a discretionary basis, and \$ 1,447,486,034 on a non-discretionary basis. Total assets under management are \$ 214,649,062,247.

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

NYL Investors’ Fixed Income Investors division (“FII”) offers fixed income advisory services. FII has expertise in most major U.S. dollar fixed income sectors including: investment grade corporate bonds, mortgage-backed securities, asset-backed securities, government securities, high yield bonds, and floating rate loans. FII 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. NYL Investors also serves as collateral manager for a series of collateralized loan obligation vehicles (“CLOs”). NYL Investors also serves as subadviser to certain CLOs for which its affiliated investment adviser, NYLIM, serves as collateral manager.

FII employs a team-oriented approach to managing fixed income portfolios for affiliated and unaffiliated clients in the institutional markets. Using a combination of top-down fundamental analysis and bottom-up credit research, FII will seek to construct 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 Investors**

NYL Investors’ Real Estate Investors division (“REI”) 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, REI’s capabilities and services include origination, underwriting and loan

administration. These products include commercial mortgage loans, mezzanine, bridge, construction financing and structured debt investments, commercial mortgage-backed securities, and unsecured REIT bonds. REI also provides acquisition, disposition and asset management services with respect to real estate equity investments for New York Life and its affiliates, and for certain pooled real estate investment funds. Additionally, within the real estate asset class, REI will identify and underwrite investments in third party-sponsored real estate equity and debt funds and low income housing tax credit (“LIHTC”) funds. Lastly, REI provides advisory and asset management services to New York Life for its corporate properties and for its leased properties.

### **Private Capital Investors**

New York Life Investors’ Private Capital Investors division (“PCI”) offers financing solutions to public and private companies with a specialized expertise in the infrastructure, power & utility sectors. Team members have direct relationships with company senior management and are responsible for ongoing portfolio monitoring.

PCI employs a clearly defined investment process which is consistently executed and managed by experienced professionals to seek to achieve optimal results. Bottom-up fundamental research provides the basis for investment selection combined with a long term orientation that supports the client throughout multiple economic cycles.

PCI provides advisory services to New York Life and its affiliates. Currently, it does not manage money for third parties.

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

### **A. FEES**

- **Private Funds and CLOs**

The fee for investment advisory and management services provided by us to private investment funds and CLO vehicles generally consists of two components – a base management fee and a performance fee or subordinated management fee. The rate, calculation method, and payment method for our fees are set forth in the investment management agreement between NYL Investors and the fund or CLO vehicle, or in the organizational documents for the fund or CLO vehicle, and are disclosed in the private placement memorandum or other offering documents for the fund or CLO vehicle. There is no standard fee schedule for services provided by NYL Investors to private investment funds and CLO vehicles.

- **Investment Companies**

NYL Investors provides sub-advisory services to NYLIM for certain MainStay open-end mutual funds. NYL Investors’ fee for sub-advisory services to any mutual fund is available in each fund’s prospectus or other disclosure document..

- **Separately Managed Accounts**

The fees for investment advisory services are negotiable and can vary depending on a variety of factors such as the type of account, size of the account, and the investment program. Agreed upon fees are set forth in a fee schedule agreed to by the client and included in the client's investment management agreement ("IMA"). Generally, advisory fees will be payable quarterly in arrears, based on the average of the month-end net assets under management at the end of the period. However, the calculation methodologies may vary by client. 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 will be subject to pro rata adjustment, based upon the date of termination.

- **Fixed Income Investors**

FII's management fees generally range from 0.01% to 0.60% of average daily net assets under management. However, performance and fixed fees could be higher than 0.60% depending on account performance and account size. The annual fee schedules for FII's significant investment strategies (see "*Investment Strategies and Risk of Loss*" section below) will be:

<b>Investment Grade Corporate</b>	0.25% for all asset levels
<b>Core Fixed Income</b>	
<b>Intermediate Government Credit</b>	

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<b>Investment Grade Bond Index</b>	0.10% for all asset levels
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<b>Floating Rate</b>	0.50% for all asset levels
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In addition to the management fees described above, there may be other fees associated with the management of FII 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 may 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.

FII also serves as 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 paid by affiliated accounts is approximately .118%, 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 to our affiliated investment advisers over the last five years have ranged from .01% to .02%.

- **Real Estate Investors**

REI charges New York Life a range of asset-based advisory fees for managing various types of real estate-related investments. In certain cases, such as real estate equities, the fees are a sliding scale. Borrowers and/or third-party investors are charged origination fees in certain instances and 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. The fees associated with our private real estate funds are detailed in each fund's private placement memorandum.

## **B. COMPENSATION**

There may be instances where our supervised persons recommend that an advisory client, or prospective advisory client, invest in either *The MainStay Funds*, managed by NYLIM, or in a private fund that we sponsor.<sup>1</sup> When this occurs, neither NYL Investors nor any of our supervised persons will 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 noted above, NYL Investors manages general and separate account assets of our parent company, New York Life and its insurance affiliates, NYLIAC and NYLAZ. We charge these affiliates a negotiated management fee based on asset class and may also earn performance-based fees. The annual fixed income performance fee is determined using a transaction-based value added system, and is subject to a cap which differs by line of business. Over the past five years, these performance fees paid to NYLIM have ranged from .01% to .02%.

Given the percentage of assets under management that is attributable to these affiliated entities, the performance-based fees that are generated by these accounts could be considered 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).

NYL Investors also serves as collateral manager and subadviser for a series of CLOs. As collateral manager and subadviser to these vehicles, we are entitled to additional compensation on a subordinated basis if certain performance targets are achieved. 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

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<sup>1</sup> MainStay is a registered trademark of an affiliate of NYL Investors.

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, NYL Investors 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, and other pooled investment vehicles. NYL Investors also serves as collateral manager and subadviser to certain special purpose vehicles, including, but not limited to, CLOs. The minimum initial account size for FII separately managed accounts is typically \$100 million.

REI 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 ranges from \$1,000,000 to \$5,000,000, depending on the fund. The respective general partners of these funds may waive an investor’s minimum capital commitment and in fact have done so.

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

Although NYL Investors offers advisory services in several asset classes through FII, REI, and PCI, our significant investment strategies are managed by FII.

As discussed above, FII 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, FII’s significant investment strategies include:

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

## **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, FII'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, FII implements a risk-controlled, value-oriented investment process focused on active team management that leverages the top-down and bottom-up capabilities of the FII investment management team.

By following a highly collaborative top-down and bottom-up investment process, FII seeks to generate excess return by focusing on the following:

- *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 and commercial mortgage-backed securities. Given FII's strong research team and value approach, particular emphasis is placed on corporate bonds and structured securities. In order to determine optimal sector allocation, FII 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. NYL Investors looks to leverage its deep experienced team of analysts to work in conjunction with the portfolio management team to determine the appropriate weightings of individual securities. Decisions to overweight or underweight an individual security are made within the framework of overall portfolio construction. In many cases, security selection can often add value to a portfolio not only by what securities one owns, but more importantly by not owning underperforming securities. FII actively seeks to avoid securities which in our opinion do not offer appropriate reward for a given level of risk. Specific security selection risks are managed through diversification and adherence to position limits.
- *Duration Management:* Duration management refers to the level of tracking error that can be generated purely from maintaining a different overall duration versus the underlying benchmark. Decisions regarding duration management often have the most significant potential impact on returns and are generally the most difficult to predict. Focus in this area is on the long-term trend in the direction of interest rates rather than short-term trading opportunities. FII 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. Depending upon market conditions, yield curve management can have a significant impact on returns and needs to be rigorously monitored. FII uses scenario analysis and other quantitative and fundamental tools to determine the optimal yield curve positioning.

### **Floating Rate**

FII's Floating Rate strategy is managed by the High Yield Credit Group within FII ("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 market timing. It also maintains significant diversification across issuers and industries in order to distribute risk on a broad basis. 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, the HYG conducts an initial screen of the investment opportunity 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 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. The HYG will sell an asset to avoid credit deterioration, to improve diversification or to enhance risk-adjusted yield.

### **RISK OF LOSS**

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 sale price for the security will be extremely low. Liquidity risk is often measured by how often a security trades. The more that a security trades, the lower the liquidity 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.
- *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:* The floating rate loans in which the HYG invests are usually rated below investment grade 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. 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**

Registered investment advisers are required to disclose material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There are no legal or disciplinary events involving NYL Investors that are material to our advisory business or to the management of your account to report.

## **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:

### **A. Broker-Dealer**

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. NYLIFE Distributors LLC serves as the principal underwriter and distributor of *The MainStay Funds*. In limited circumstances, we may recommend that our clients purchase *The MainStay Funds*.

NYLIFE Distributors may compensate registered employees who promote the sale of *The MainStay Funds* for their efforts, and NYL Investors 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 purchases *The MainStay Funds*, NYLIFE Distributors may be listed as the dealer of record on the account.

## **B. Investment Advisers**

We act as a subadviser for:

- A portion of the general accounts of NYLIC and its affiliated insurance companies.
- Accounts for which NYLIC or New York Life Trust Company, a related person, serves as trustee.
- Certain series of the MainStay Funds, MainStay VP Funds, open-end registered investment companies for which NYLIM is the investment adviser and NYLIFE Distributors LLC acts as principal underwriter and distributor.
- Accounts that are investment vehicles for insurance products sponsored by NYLIC.
- Accounts that have contractual insurance arrangements with NYLIC.
- Certain CLOs for which NYLIM is the collateral manager.

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

- MCF Capital Management LLC (File No. 801-73076), manages portfolios of commercial loans and related debt and equity investments in which clients of NYL Investors may invest. While MCF Capital Management maintains autonomous investment processes, it may leverage the resources and services of NYL Investors for certain functions. In addition, certain officers of NYL Investors may also serve as officers of MCF Capital Management.
- NYLIM (File No. 801-57396), serves as the investment manager for the Mainstay Funds and certain wrap fee accounts and as collateral manager for certain CLOs for which we act as subadviser.
- NYL Investors and its affiliates comprise a “multi-boutique” platform, referred to as New York Life Investments Group, encompassing the following investment advisers: NYLIM, MacKay Shields (File No. 801-5594), GoldPoint Partners (File No. 801-61010), Cornerstone Capital Management Holdings LLC (File No. 801-69663), Cornerstone Capital Management LLC (File No. 801-45262), Institutional Capital LLC (SEC File No. 801-40779), Private Advisors (File No. 801-55696), MCF Capital Management (File No. 801-73176), and Candriam Investors Group (File Numbers: 801-80510, 801-80508, 801-80509).
- MacKay Shields LLC, GoldPoint Partners LLC, Private Advisors, LLC, Cornerstone Capital Management Holdings LLC, Cornerstone Capital Management LLC, Institutional

Capital LLC, each an affiliated investment adviser, may serve as a subadviser for general and separate account assets of our parent company, New York Life and its insurance affiliates, NYLIAC and NYLAZ, both of which are wholly-owned subsidiaries of New York Life. Each of these related investment advisers also serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of NYL Investors may be solicited to invest in such limited partnerships or in others for which the Related Adviser serves in a similar capacity. From time to time, we may enter into arrangements with our affiliated investment advisers to recommend clients to one another. 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 will 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.

### **C. Banking Institution**

New York Life Trust Company is our affiliate and is a New York State chartered trust company. Some officers and employees of NYL Investors may also be 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 NYLIM is the record keeper. 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. NYL Investors may also serve as subadviser to a collective investment trust for which New York Life Trust Company acts as trustee and is the named custodian.

### **D. Finance Company**

Madison Capital Funding LLC ("Madison") is a premier finance company focused on the corporate financing needs of private equity sponsored companies in the middle market. Madison provides enterprise-value cash flow, leveraged financing solutions for acquisitions, recapitalizations, leveraged buyouts, and general corporate capital needs. Madison is a wholly-owned subsidiary of NYLIM. Within NYLIM, Madison reports into our Chief Executive Officer. Also, certain officers of NYL Investors may also serve as officers or board members of Madison.

### **E. Insurance Companies**

NYL Investors is a 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. While NYL Investors maintains autonomous investment processes, it may leverage the resources and services of its advisory affiliates, NYLIM and New York Life for certain functions. Under this structure, certain compliance, legal and other support functions within NYL Investors are

supported by the infrastructure within New York Life, including the implementation of NYL Investors' Rule 206(4)-7 Compliance Program. Subject to New York Life's supervision, we will 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 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 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 typically is 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. 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**

NYL Investors has a fiduciary relationship with our clients that require 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 NYL Investors, 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 account 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 of our Chief Compliance Officer.
- May not participate in Investment Clubs.
- Must file quarterly reports and certifications of covered trading activity.

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). Investment Personnel must adhere to the following additional restrictions:

- May not purchase or sell securities (subject to a de minimis 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 act as an 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. NYL Investors 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 typically will be aggregated or “bunched” as one order. These orders will be 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, and client information) that may potentially pose conflicts of interest. Specifically, NYL Investors 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.

Our employees may invest in mutual funds sponsored by an affiliate of NYL Investors (such as the MainStay Floating Rate Fund), which could create an incentive for us to favor our affiliates mutual fund client over other clients. We maintain investment, trade allocation and account valuation policies and procedures designed to address such conflicts of interest. Further, our Code requires employees to report investments in all MainStay Funds.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Selection of Brokers**

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.

### **B. Soft Dollars**

We do not currently participate in any soft dollar relationships with other firms for research or any other service. We also do not engage in any directed brokerage arrangements with any of our clients at this time.

### **C. 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.

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.

### **D. Internal Cross Transactions and Principal Transactions**

Internal cross transactions are trades between advisory client accounts. Principal transactions are trades between a client account and an account deemed owned by NYL Investors. NYL Investors reserves the right to effect cross transactions and principal transactions where it has determined that it is in the clients’ best interest to do so. When coordinating cross transactions, however, NYL Investors faces an inherent conflict, as two advisory client accounts represent

both sides of the trade and the adviser generally has the ability to influence the price at which the trade occurs for both clients. When we effect cross transactions, we do so in accordance with our Cross Trade Policy which requires a determination that the transactions are done for bona-fide investment purposes, and are in the best interest of both clients. All cross transactions must be effected at fair market value.

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

### **MONITORING**

#### **Fixed Income Investors**

All FII managed accounts are monitored continuously in an effort to ensure that client objectives are being achieved. Each FII 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, which typically include a review of attribution, strategies and account performance versus portfolio benchmarks, are also conducted.

In addition, all trading activity is reviewed daily or weekly by a supervisor or the supervisor's 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, the Securities Operations Group reconciles cash transactions and holdings on a daily basis 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. Trades are sent electronically via Blackrock Aladdin to OMGEO for trade confirmation. In those instances where a broker does not support the use of OMGEO, trades are confirmed by Securities Operations verbally or via e-mail.

#### **Trade Errors**

NYL Investors 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

will be 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.

### **Client Reporting**

The content and frequency of client reports will vary by client. Such reporting requirements typically will be part of the contract negotiations and memorialized in the client's IMA. Our client reports typically will include portfolio holdings, transactions, portfolio performance information, as well as written commentary of capital markets and a portfolio outlook. Customized reporting typically will be provided as frequently as desired by clients.

### **Compliance Oversight**

NYL Investors' compliance department is an extension of the New York Life corporate compliance department. The Chief Compliance Officer of NYL Investors is responsible for the oversight and maintenance of the compliance function. Under this structure, certain compliance and other support functions within NYL Investors are supported by the infrastructure within this department of New York Life, including the implementation of the compliance program. NYL Investors acknowledges that compliance is the responsibility of all employees. NYL Investors is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 (the "Advisers Act") with the SEC. As such, we are required pursuant to Rule 206(4)-7 under the Advisers Act to have written policies and procedures in place to prevent violations of the Advisers Act. NYL Investors, with the assistance of New York Life's Compliance Department has established an assessment program in order to comply with Rule 206(4)-7 which covers all aspects of our business. As part of this Compliance Program, the Compliance Department maintains an assessment calendar which requires an assessment of each of NYL Investors' policies and procedures at least annually. Testing criteria includes ongoing evaluations and tests of the effectiveness of NYL Investors' Compliance Program including making a determination that NYL Investors' compliance policies and procedures are operating adequately and are reasonably designed to prevent violations of the federal securities laws. Testing criteria also includes 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 NYL Investors' Compliance Committee on a quarterly basis.

### **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, including the applicable disclosure requirements.

We may also have arrangements in place whereby we compensate an unaffiliated third party for soliciting investors to invest in pooled investment vehicles managed or subadvised by NYL Investors. 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 will receive account statements directly from their custodians. In addition, clients will 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.

We are deemed to have indirect custody of the assets of certain of our funds by virtue of our role as general partner of the fund or the account being custodied with an affiliate. We provide investors in our funds with audited financial statements within 120 days from the end of each fiscal year. Investors should carefully review those statements. As a result, we are not required to engage an independent public accounting firm to conduct an annual surprise audit of our operation, as would otherwise be required by 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**

NYL Investors 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 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 will 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 will review the request to determine whether any potential material conflicts of interest 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 a client's account is available upon request.

### **ITEM 18: FINANCIAL INFORMATION**

At this time, NYL Investors 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. NYL Investors 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**

Not applicable.