

Source: MPI Stylus, 12/31/04. The example to the right is based on a hypothetical portfolio consisting of 60% S&P 500 Index, an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance, and 40% Lehman Brothers Government/Credit Index, which is composed of the Lehman Brothers Government Bond Index and the Lehman Brothers Credit Index. The portfolio that was regularly rebalanced was done so quarterly throughout the 20-year period. The indices are unmanaged and do not charge fees or expenses.

An investment cannot be made directly into an index. Diversification and Rebalancing do not ensure gains or prevent losses from occurring in a portfolio or account.

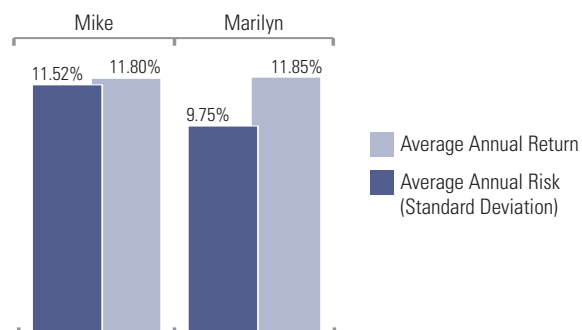
Managing Risk and Achieving Long-Term Goals

When developing an investment strategy, it is important to ensure that your assets are properly allocated and well-diversified. But your strategy shouldn't end there. To create a truly efficient portfolio, regular rebalancing must also be performed.

To help illustrate the importance of rebalancing, we will look at the investment portfolios of Mike and Marilyn, a young couple interested in managing risk in their portfolios. They each diversify their investments among various asset classes. However, Marilyn takes her investment strategy one step further and rebalances her portfolio on a quarterly basis.

A Time-Tested Approach for Keeping Allocations on Track

Hypothetical results over a 20-Year Period (1/1/85—12/31/04)



- Mike experienced greater risk in his portfolio by not rebalancing on a quarterly basis.
- Marilyn experienced less risk in her portfolio by rebalancing on a quarterly basis.

As the chart illustrates, the investor who rebalanced quarterly over a 20-year period realized less risk at 9.75% versus the 11.52% realized by the investor who did not rebalance.

For illustrative purposes only. Past performance is no guarantee of future results. Investment objectives may not be met. Standard deviation is a statistical measure of spread of variability

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