



## Quarterly Fund Commentary March 31, 2008

### MainStay Asset Allocation Funds

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- MainStay Conservative Allocation Fund
- MainStay Moderate Allocation Fund
- MainStay Moderate Growth Allocation Fund
- MainStay Growth Allocation Fund

#### Summary

- The Funds currently have an emphasis on larger-cap securities within their domestic equity allocations.
- The Funds offer investors asset allocation, diversification, and rebalancing in a single Fund, while maintaining fixed allocations to equity and fixed-income asset classes.
- This broad diversification across different asset classes and investment styles helps investors pursue a level of return that is consistent with their respective risk level.

#### Market Overview

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Ongoing issues related to the housing and subprime mortgage markets triggered periods of extreme volatility in the financial markets. Recession became a heightened concern for investors. Responding to signs of a weakening U.S. economy and elevated credit concerns, the Federal Reserve (Fed) cut interest rates an additional 2%, bringing the Fed Funds rate to 2.25% and opened several new and innovative liquidity vehicles during the first quarter.

**Equity Markets:** Equity markets were volatile and declined around 10%. Equity markets did bounce off of their March lows in response to the Fed reducing short-term rates and a perceived easing of the credit crunch.

**Fixed-Income Markets:** Investors continued a flight to quality given concerns of the subprime mortgage market. Treasury yields fell roughly half a percent and prices rose as investors fled to the safety to U. S. Treasuries. Yields and bond prices move in opposite directions. The 10-year Treasury yield fell steadily during the quarter from 4.04% to 3.45%.

**Outlook:** For 2008, we believe the S&P 500 Index could still see positive performance in the single digits, in line to slightly below long-term average returns, although volatility levels are likely to remain elevated. Given the expectation of a moderate economic environment and further potential Fed rate cuts, bonds could have total returns of slightly greater than coupon yields or between 3.5% and 4.5% for intermediate-term government bonds.

#### Fund Overview & Highlights

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**Emphasis on large-cap equity:** We have continued to emphasize larger-cap companies, given their attractive relative valuations compared to smaller-cap stocks, the latter of which had appreciated dramatically in recent years. Biasing the portfolios towards these large-cap names also serves as a hedge against market uncertainty, guarding against volatility and downside risk. Within our investment process, we seek to identify companies that are attractively priced with positive price and earnings momentum.

**Exposure to international markets:** International equity markets, as defined by the MSCI EAFE Index, performed in line, albeit a little lower than the S&P 500 benchmark. The Funds' international holdings emphasize larger-cap, high-quality names primarily within developed countries that could be able to weather potentially difficult market conditions.

**Higher-quality credits performed well:** Overall, investments in the higher-quality segments of the fixed-income market benefited performance, contributing positively to the returns of MainStay Conservative Allocation Fund, MainStay Moderate Allocation Fund, and MainStay Moderate Growth Allocation Fund for the period.

Past performance is no guarantee of future results.

Holdings may change daily.

## Ticker Symbols

### MainStay Conservative Allocation Fund

	NASDAQ
CLASS A	MCKAX
Investor Class	MCKNX
CLASS B	MCKBX
CLASS C	MCKCX
CLASS I	MCKIX

### MainStay Moderate Allocation Fund

	NASDAQ
CLASS A	MMRAX
Investor Class	MMRDY
CLASS B	MMRBX
CLASS C	MMRCX
CLASS I	MMRIX

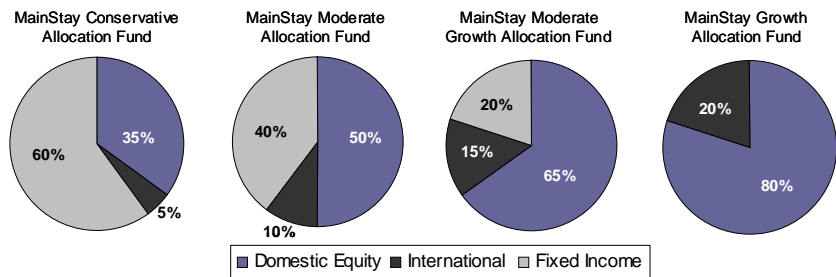
### MainStay Moderate Growth Allocation Fund

	NASDAQ
CLASS A	MGDAX
Investor Class	MGDNX
CLASS B	MGDBX
CLASS C	MGDCX
CLASS I	MGDIX

### MainStay Growth Allocation Fund

	NASDAQ
CLASS A	MGXAX
Investor Class	MGXNX
CLASS B	MGXBX
CLASS C	MGXCX
CLASS I	MGXIX

## Target Allocations:



Portfolio Investment Characteristics	MainStay Conservative Allocation Fund	MainStay Moderate Allocation Fund	MainStay Moderate Growth Allocation Fund	MainStay Growth Allocation Fund
<b>(% of Total Net Assets as of 3/31/08)</b>				
Large Cap Growth	10.9%	15.8%	19.9%	25.4%
Large Cap Blend	11.2	15.6	19.1	24.2
Large Cap Value	6.2	8.4	10.1	12.7
Mid Cap Growth	3.6	5.4	8.3	9.2
Mid Cap Blend	1.4	2.1	3.2	3.8
Mid Cap Value	1.0	1.5	2.2	2.7
Small Cap Growth	0.3	0.4	0.7	0.6
Small Cap Blend	0.0	0.1	0.2	0.1
Small Cap Value	0.0	0.0	0.0	0.0
International	5.0	10.1	15.2	20.4
Government & Agency	33.1	22.0	7.4	0.0
Investment Grade	11.3	7.5	2.9	0.0
High Yield	12.8	8.6	8.5	0.0

Characteristics listed are provided only for informational purposes and may change daily.

Performance data quoted represents past performance. Past performance is no guarantee of future results. Due to market volatility, current performance may be less or higher than the figures shown. Investment return and principal value will fluctuate so that upon redemption, shares may be worth more or less than their original cost.

Performance figures reflect certain fee waivers and/or expense limitations, without which total returns may have been lower. The fee waivers and/or expense limitations are voluntary and may be discontinued at any time. For current to the most recent month-end performance information, please visit [mainstayinvestments.com](http://mainstayinvestments.com)

## Performance

### MainStay Asset Allocation Funds

#### Average Annual Total Returns as of 3/31/08

NAV – Net Asset Value    WSC – With Sales Charge

	1 Year		Since Inception	
	NAV	WSC	NAV	WSC
<b>MainStay Conservative Allocation Fund (Inception 4/4/05)</b>				
Class A (max. 5.5% load)	2.27%	-3.36%	5.82%	3.83%
Investor Class (max. 5.5% load) (Inception 2/28/08)	2.27	-3.36	5.82	3.83
Class B (max. 5.0% CDSC)	1.48	-3.38	5.04	4.12
Class C (max. 1.0% CDSC)	1.47	0.50	5.03	5.03
Class I (no-load)	2.45	--	6.20	--
<b>MainStay Moderate Allocation Fund (Inception 4/4/05)</b>				
Class A (max. 5.5% load)	1.07%	-4.49%	6.96%	4.96%
Investor Class (max. 5.5% load) (Inception 2/28/08)	1.07	-4.49	6.96	4.96
Class B (max. 5.0% CDSC)	0.26	-4.54	6.12	5.22
Class C (max. 1.0% CDSC)	0.26	-0.70	6.15	6.15
Class I (no-load)	1.29	--	7.26	--
<b>MainStay Moderate Growth Allocation Fund (Inception 4/4/05)</b>				
Class A (max. 5.5% load)	-1.34%	-6.77%	7.28%	5.27%
Investor Class (max. 5.5% load) (Inception 2/28/08)	-1.25	-6.68	7.31	5.30
Class B (max. 5.0% CDSC)	-2.08	-6.76	6.47	5.58
Class C (max. 1.0% CDSC)	-2.08	-3.01	6.47	6.47
Class I (no-load)	-1.08	--	7.68	--
<b>MainStay Growth Allocation Fund (Inception 4/4/05)</b>				
Class A (max. 5.5% load)	-2.28%	-7.66%	7.92%	5.90%
Investor Class (max. 5.5% load) (Inception 2/28/08)	-2.20	-7.57	7.96	5.93
Class B (max. 5.0% CDSC)	-2.94	-7.57	7.13	6.25
Class C (max. 1.0% CDSC)	-3.01	-3.94	7.16	7.16
Class I (no-load)	-2.06	--	8.35	--

**MainStay Conservative Allocation Fund total gross annual Fund operating expenses are: Class A: 1.06%, Investor Class: 1.22%, Class B: 1.92%, Class C: 1.92%, Class I: 0.97%.**

**MainStay Moderate Allocation Fund total gross annual Fund operating expenses are: Class A: 1.07%, Investor Class: 1.25%, Class B: 1.95%, Class C: 1.95%, Class I: 0.84%.**

**MainStay Moderate Growth Allocation Fund total gross annual Fund operating expenses are: Class A: 1.16%, Investor Class: 1.37%, Class B: 2.05%, Class C: 2.05%, Class I: 1.02%.**

**MainStay Growth Allocation Fund total gross annual Fund operating expenses are: Class A: 1.19%, Investor Class: 1.40%, Class B: 2.10%, Class C: 2.10%, Class I: 1.13%.**

Average annual total returns shown include the change in share price and reinvestment of capital gains and distributions. Class I shares are generally available only to corporate and institutional investors.

## About Fees and Expenses

MainStay Asset Allocation Funds are “funds of funds” that invest in other MainStay Funds. The cost of investing in the Funds may be higher than the cost of investing in a mutual fund that invests directly in individual stocks and bonds. By investing in the Funds, you will indirectly bear fees and expenses charged by the underlying Funds in which the Fund invests in addition to the Fund’s direct fees and expenses. Additionally, the use of a fund of funds structure could affect the timing, amount, and character of distributions to you and, therefore, may increase the amount of taxes payable by you. You should consult your tax and financial advisors regarding these matters.

**Please call 800 MAINSTAY (624-6782) for a prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before investing.**

## Before You Invest

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The Funds’ performance depends on the portfolio manager’s skill in determining the asset class allocations and the mix of underlying MainStay Funds, as well as the performance of those underlying Funds. The underlying Funds’ performance may be lower than the performance of the asset class which they were selected to represent. The Funds are indirectly subject to the investment risks of each underlying Fund held. Principal risks of the underlying Funds are described below. The Funds may invest more than 25% of their assets in one underlying Fund, which may significantly affect the net asset value of the Funds.

Stocks and bonds can decline due to adverse issuer, market, regulatory, or economic developments. High-yield securities carry higher risks and some of the Funds’ investments have speculative characteristics and present a greater risk of loss than higher-quality debt securities. These securities can also be subject to greater price volatility.

Stocks of mid-cap companies may be more volatile and less liquid than the securities of larger companies. Stocks of small companies may be subject to higher price volatility, significantly lower trading volume, and greater spreads between bid and ask prices, than stocks of larger companies. Small-cap companies may be more vulnerable to adverse business or market developments and may have more limited product lines than large-capitalization stocks.

Foreign securities may be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political and economic instability, less publicly available information, and changes in tax or currency laws or monetary policy.

When interest rates rise, the prices of fixed-income securities in the underlying Funds’ portfolios will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the underlying Funds’ portfolios will generally rise.

Floating rate funds are generally considered to have speculative characteristics that involve the risk of default on principal and interest and the risks associated with collateral impairment, non-diversification, borrower industry concentration, and limited liquidity.

Liquidity risk is the risk that certain securities may be difficult or impossible to sell at the time that the seller would like or at the price that the seller believes the security is currently worth.

The principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value.

Growth stocks may be more volatile than other stocks because they are generally more sensitive to investor perceptions and market moves. During periods of growth stock underperformance, a fund’s performance may suffer.

**An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to maintain a value of \$1.00 per share, it is possible to lose money.**

Investments in government and agency funds are not guaranteed, even though some of the Funds’ investments are guaranteed by the U.S. government or its agencies and instrumentalities.

Before making an investment in the Funds, you should consider all the risks associated with it.

The Morgan Stanley Capital International (MSCI) Europe, Australasia, and Far East Index—the EAFE® Index—is an unmanaged, capitalization-weighted index containing approximately 985 equity securities of companies located outside the United States. The S&P 500® Index is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. The 10-year U.S. Treasury bond measures the current market interest rate or yield on U.S. Treasury bonds maturing 10 years in the future. An investment cannot be made directly into an index.

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