



## MainStay ICAP International Fund

### Fund Review

MainStay ICAP International Fund performed in line, although slightly lower than its benchmark, the MSCI EAFE Index. All sectors in the Index and Fund posted negative returns, with energy and materials companies leading the benchmark's decline.

The team's selection in consumer discretionary, materials, and telecom benefited the Fund's relative performance. Consumer discretionary companies Daimler AG (2.3%) and British Sky Broadcasting rose during the quarter. British Sky (3.6% of Fund), the dominant pay-TV provider in the U.K., rallied when the take-over announcement by News Corp. was not agreed upon. Another stock that advanced was materials company Barrick Gold Corporation (2.8% of Fund). As investors looked to protect their wealth amidst the volatile markets, gold continued to perform well. The company is a gold industry leader, with interests in 27 operating mines and a pipeline of projects located across five continents. In telecom, the Fund's holdings fell less than those held in the Index.

Detractors from the Fund's relative results included the Fund's energy, utility, and health care holdings. Energy stocks were quite volatile during the quarter and uncertainty about regulation reform was a drag on results. BP PLC (1.1% of Fund) declined after an explosion on its Deepwater Horizon drilling rig. ICAP trimmed the holding during the period. While uncertainty remains and the dividend suspension is a concern, BP PLC has made operational progress containing the leak and the company is expected to generate in excess of \$30 billion in cash flow from operations this year.

The Fund's utility and health care exposure also hurt performance as European macro events impacted a number of the Fund's holdings in those sectors. Portuguese utility company EDP (2.8% of Fund) was one of the decliners. EDP is the incumbent electric utility in Portugal and is currently pursuing growth opportunities in wind and renewable energy generation. In health care, French company Sanofi-Aventis S.A. (4.7% of Fund) is focused on cutting costs and is expanding in areas without traditional generic pressure. Lastly, not owning consumer staples companies tempered results as that sector was the best-performer on a relative basis in the Index. The team is not finding compelling ideas within the consumer staples sector, and thus remains underweight versus the MSCI EAFE.

### Outlook

ICAP believes global economies may be approaching an point where growth may begin to slow. Consensus expectations for U.S. economic growth appear likely to ease toward a 2 ½ % to 3% range. Evidence that would point to a durable and sustained recovery in the United States has yet to fully emerge. Employment has not moved decisively higher, which would provide critical support for the global economy. New legislation and regulatory uncertainty in major sectors such as healthcare, financials, and energy may be stifling activity.

Outside the U.S., signs are also troubling; in Europe, the deterioration in credit market conditions is beginning to disrupt growth while Chinese authorities continue to try to slow down their economy. Inflation is expected to remain low over the foreseeable future. Over the next several years, high levels of private and public debt are likely to result in sub-par economic growth in the western developed economies and Japan. Growth in emerging markets is expected to remain relatively strong.

The global equity markets have struggled due to concerns about the pace and sustainability of the economic recovery. A shift to tighter fiscal policy in the developed economies may cause these concerns to linger. Still, we see several favorable factors for the

equity markets: 1) The global expansion is expected to continue. 2) Equity valuations are not expensive, particularly versus fixed-income alternatives as of June 30, 2010. 3) Earnings estimates appear achievable. A high degree of operating leverage should benefit earnings as sales improve and costs remain under tight control.

The “strong will get stronger” theme is maintained. The portfolio emphasizes companies with strong operational and financial characteristics. We believe these companies can gain share from weaker competitors and thus improve their earnings.

*The opinions expressed are those of ICAP (Institutional Capital) as of the date of this report and are subject to change. This is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. Institutional Capital LLC is a federally registered advisor and an affiliate of New York Life Investment Management LLC.*

Please call 1-800-MAINSTAY (1-800-624-6782) 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.

Investment objectives may not be met as the underlying investment options are subject to market risk and will fluctuate in value. Past performance is no guarantee of future results.

The Fund may invest in derivatives, which may increase the volatility of the Fund's net asset value due to their liquidity risk and may result in a loss to the Fund. The Fund may experience a portfolio turnover rate of over 100% and may generate short-term capital gains which are taxable. Foreign securities can 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. These risks are likely to be greater for emerging markets than in developed markets.

The Morgan Stanley Capital International (MSCI) Europe, Australia, and Far East Index – the EAFE Index – is an unmanaged, capitalization-weighted index containing approximately 985 equity securities located outside the U.S. An investment cannot be made directly into an index.

All holdings and sector weightings are as of June 30, 2010, and are not indicative of future holdings or weightings. This information has been provided for informational purposes only and may change daily.

MainStay Investments, an indirect subsidiary of New York Life Insurance Company, New York, NY 10010, provides investment advisory products and services. Securities distributed by NYLIFE Distributors LLC, 169 Lackawanna Avenue, Parsippany, NJ 07054.



|                       |               |                |                   |                                      |
|-----------------------|---------------|----------------|-------------------|--------------------------------------|
| Not FDIC/NCUA Insured | Not a Deposit | May Lose Value | No Bank Guarantee | Not Insured by Any Government Agency |
|-----------------------|---------------|----------------|-------------------|--------------------------------------|

NYLIM-A018797