The first quarter of 2020 has been a wild ride. At the turn of the new year general expectations were those of slowing, but continuing, global growth. However, the emergence and accelerating global spread of the COVID-19 virus flipped that positive outlook on its head, with markets now suffering the impact of the unforeseen pandemic in the form of extraordinary volatility and significant declines – and there’s no concrete end in sight. As investors grapple with this uncertainty, many are left wondering if their equity portfolios are well-positioned for what lies ahead, reigniting the enduring “active vs. passive” debate.

Historically, only a handful of active equity managers tend to outperform the benchmark over any given time period, particularly in the efficient and saturated universe of U.S. large cap stocks. This is a common argument in favor of passive investing that, while technically true, does not tell the whole story. An investor who simply wants to capture the full return – and loss – of a given universe would do well to invest in a passively managed index fund. Anyone looking to outperform the market – which in the current drawdown would mean mitigating losses – may want to consider an actively managed solution, as it is when markets turn downward that an active approach really proves its value.

Figure 1 shows the percentage of active large cap equity managers that outperformed the relevant index in positive and negative market environments, as measured by rolling 3-year periods over the past 25 years. As you can see, the number of outperforming active managers dramatically increases when the market is down.

Figure 1: Active management tends to succeed in down markets

Source: Morningstar, as of 3/31/20. Up markets are measured as those 3-year periods where the Index has a return greater than zero; Down markets represent those 3-year periods where the Index has a return less than zero. Indexes used to measure positive/negative market environments are the Russell 1000 (Large Core Funds), Russell 1000 Growth (Large Growth Funds), and Russell 1000 Value (Large Value Funds). An active management approach does not ensure outperformance of a fund relative to its benchmark index. Past performance is no guarantee of future results. An investment cannot be made in an index.
In fact, we already see this trend taking shape as a result of the recent market downturn. As shown in Figure 2, U.S. large cap equities boasted a strong year in 2019, up more than 31% (as measured by the Russell 1000 Index), while the global events of Q1 have whipsawed the index down -20% for the first quarter. With this decline we have seen a marked increase in the number of active managers outperforming the benchmark, with a particularly noticeable spike for growth stocks.

**Figure 2: Active manager outperformance has spiked as markets have declined**

U.S. equity index returns & % of active managers outperforming the index

![Graph showing active manager outperformance](source)

While this makes a compelling argument for active management in down markets, it also illustrates the importance of picking the right active manager. With more than half of active managers still underperforming the index year-to-date, investors must be diligent to select one with a proven history of strong, consistent performance across market cycles.

**Winslow’s “No Preferred Habitat” approach**

Winslow Capital, subadvisor of the MainStay Winslow Large Cap Growth Fund (MLAIX), employs a differentiated approach to U.S. large cap growth investing by offering access to three distinct, yet complementary, types of growth companies: Dynamic Growth, Cyclical Growth and Consistent Growth. While the Team seeks to maintain a balance across these three types of earnings growth, their “No Preferred Habitat” philosophy provides the flexibility to lean toward – or away from – a particular category as key inflection points are indicated by Winslow’s company estimates and models. As a result of this active approach, Winslow has delivered a proven history of diversification and consistent, competitive performance over time.

Winslow’s active approach was in full swing during the events of Q1. The portfolio entered 2020 underweight Cyclical Growth, with expectations of subpar global growth and the knowledge that we were approaching 11 years of economic expansion. Upon incorporating the new reality of the COVID-19 pandemic, Winslow took steps to further insulate the portfolio’s economic sensitivity, making a number of changes from late January to early March and bringing the weight in Cyclical Growth down to 14% (from 23%) as of quarter-end. In addition to the reduction in Cyclical Growth exposure, the portfolio added exposure to Dynamic Growth (41% weight vs. 27% for the Russell 1000 Growth Index) and Consistent Growth stocks (44% weight vs. 40% Russell 1000 Growth) to better position the portfolio for the current environment. At the sector and industry levels, the portfolio is entirely void of exposure to energy, banks, airlines, cruise lines, hotels, online travel, brick & mortar retailers and gaming – areas likely to be most negatively impacted by the spread of COVID-19, the collapse in oil prices, and a 0% Federal Funds Rate.

**Dynamic Growth** companies have superior competitive advantages generating revenue growth at or above 10%.

**Cyclical Growth** companies are exposed to product, industry, regulatory or economic cyclicality with prospects for superior earnings growth in the near future.

**Consistent Growth** companies typically have EPS growth greater than the market and demonstrate stability.
Active management in action

Salesforce.com (CRM) – Portfolio overweight: +3.24%
- Salesforce.com is a software giant with 180,000+ customers, ~20% market share of the CRM market, and growing share across their Sales Cloud, Services Cloud, and Marketing Cloud segments.
- Winslow believes Salesforce.com can expand deeper into its customer relationships, with the company having 40 separate customers each spending $20 million+ annually, up 67% year-over-year.
- Winslow anticipates solid top line results from the company’s subscription-based revenue model. While growth rates will come down for everyone in 2Q 2020, Winslow believes the subscription model should hold up well.
- Given recurring revenues and a very manageable cost structure, earnings should remain positive and cash flows should be able to ride out a period of declining deferred revenues. Salesforce.com has a great balance sheet and will be poised to materially gain share in a recovery.

Boeing (BA) – Portfolio underweight: -1.00%
- In the second quarter of 2019 Winslow repurchased Boeing based on continued strong commercial aero fundamentals and a six-plus year backlog for their aircraft. Later in the year, Winslow reduced its position due to increased risks resulting from the extended return timeline for the 737 MAX.
- In calendar year 2019, Winslow’s Boeing position was -14% in a strong up market and was a drag on performance.
- The team exited their position in January as the return of the 737 MAX continued to be pushed out and cracks in the commercial aero cycle began to emerge. While the Team could not have predicted the magnitude of the COVID-19 pandemic’s impact on global air travel, the exit price in January compares very favorably to Boeing’s current share price.
- While Boeing’s share price could bounce once pandemic concerns subside, Winslow believes the current commercial aero cycle has been significantly damaged, with rising cancellations and lower production levels here to stay for at least a couple of years.

Proof of Winslow’s active approach can also be seen at the individual stock level (Figure 4). The portfolio’s five largest overweights are all meaningful allocations in excess of the Russell 1000 Growth – most more than +200bps. Most of these holdings are relatively small weights (~1% or less) in the index, yet collectively they account for more than 17% of the total portfolio – illustrating Winslow’s strong conviction in their sectors and business models. On the negative side, four of the five largest underweighted stocks in the portfolio are >1% the index, but excluded from the portfolio altogether as a result of Winslow’s rigorous research process and fundamental approach.

Figure 4: Thinking outside the benchmark
Largest over- and underweight portfolio holdings

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Portfolio Weight</th>
<th>Index Weight</th>
<th>Over-/under-Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>4.21%</td>
<td>0.97%</td>
<td>3.24%</td>
</tr>
<tr>
<td>V</td>
<td>4.78%</td>
<td>2.18%</td>
<td>2.65%</td>
</tr>
<tr>
<td>ADBE</td>
<td>3.55%</td>
<td>1.15%</td>
<td>2.40%</td>
</tr>
<tr>
<td>INTU</td>
<td>2.50%</td>
<td>0.45%</td>
<td>2.04%</td>
</tr>
<tr>
<td>NKE</td>
<td>2.60%</td>
<td>0.76%</td>
<td>1.84%</td>
</tr>
<tr>
<td>BA</td>
<td>--</td>
<td>1.00%</td>
<td>-1.00%</td>
</tr>
<tr>
<td>PEP</td>
<td>--</td>
<td>1.06%</td>
<td>-1.06%</td>
</tr>
<tr>
<td>CSCO</td>
<td>--</td>
<td>1.17%</td>
<td>-1.17%</td>
</tr>
<tr>
<td>MRK</td>
<td>--</td>
<td>1.27%</td>
<td>-1.27%</td>
</tr>
<tr>
<td>AAPL</td>
<td>5.51%</td>
<td>8.33%</td>
<td>-2.83%</td>
</tr>
</tbody>
</table>

Source: Morningstar, as of 2/29/20. Totals may not sum due to rounding.
The proof is in the performance

Winslow’s active management approach has contributed to the Fund’s compelling performance both in the current volatile environment and over the long term. As of 3/31/20, the Fund is outperforming the benchmark by 159 basis points (bps) year-to-date and ranks in the 11th percentile of its peer group1. Since strategy inception, MLAIX has outperformed the benchmark by 176 bps per annum2.

Figure 5: MLAIX has outperformed the index over the long term

Growth of $100,000

![Growth of $100K](chart)

Source: Morningstar, as of 3/31/20. Past performance is no guarantee of future results. An investment cannot be made in an index.

While we cannot predict which way the market will move next, we do know that more uncertainty and volatility likely lies ahead in the coming months. Given this market backdrop, we believe the active, diversified growth strategy of MLAIX is well-positioned to yield attractive relative returns.

For more information on the MainStay Winslow Large Cap Growth Fund and how it can help build resilient portfolios in these uncertain times, please visit www.longterminvestmentsolutions.com.

Figure 6: Competitive performance in market downturns

Cumulative performance during recent drawdowns

<table>
<thead>
<tr>
<th>Drawdown Period</th>
<th>MLAIX Returns (%)</th>
<th>Russell 1000 Growth Returns (%)</th>
<th>S&amp;P 500 Returns (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tech Bubble (3/24/00 to 10/9/02)</td>
<td>-55.04</td>
<td>-63.60</td>
<td>-50.20</td>
</tr>
<tr>
<td>Global Financial Crisis (10/9/07 to 3/10/09)</td>
<td>-43.78</td>
<td>-47.77</td>
<td>-47.37</td>
</tr>
<tr>
<td>COVID-19 Pandemic (2/19/20 to 3/31/20)</td>
<td>-63.60</td>
<td>-52.01</td>
<td>-23.11</td>
</tr>
</tbody>
</table>

Source: Morningstar, as of 3/31/20. Past performance is no guarantee of future results. An investment cannot be made directly in an index.

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1 Source: Morningstar, as of 3/31/20. Peer group rankings for the last three-year period based on risk-adjusted returns from among 1,231 Large Growth funds.

2 Source: Morningstar, as of 3/31/20. The fund has been managed under the current team and investment process since the strategy’s inception on 4/1/99.
New York Life Investment Management LLC engages the services of federally registered advisors. Winslow Capital Management, LLC is unaffiliated with New York Life Investments.

"New York Life Investments" is both a service mark, and the common trade name, of the investment advisors affiliated with New York Life Insurance Company. The MainStay Funds® are managed by New York Life Investment Management LLC and distributed by NYLIFE Distributors LLC, 30 Hudson Street, Jersey City, NJ 07302, a wholly owned subsidiary of New York Life Insurance Company. NYLIFE Distributors LLC is a Member FINRA/SIPC.

<table>
<thead>
<tr>
<th>Average Annual Total Returns (%)</th>
<th>As of 3/31/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share class</td>
<td>1 year</td>
</tr>
<tr>
<td>Class A (NAV)</td>
<td>-0.70%</td>
</tr>
<tr>
<td>Class A (max. 5.5% load)</td>
<td>-6.17%</td>
</tr>
<tr>
<td>Class I (no load)</td>
<td>-0.54%</td>
</tr>
</tbody>
</table>

Returns represent past performance which is no guarantee of future results. Current performance may be lower or higher. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. No initial sales charge applies on investments of $1 million or more (and certain other qualified purchases). However, a contingent deferred sales charge of 1.00% may be imposed on certain redemptions made within 18 months of the date of purchase on shares that were purchased without an initial sales charge. Visit nylinvestments.com/funds for the most recent month-end performance. Expenses stated are as of the fund’s most recent prospectus.

Total annual operating expenses are: Class A: 0.99% and Class I: 0.74%.

Before considering an investment in the Fund, you should understand that you could lose money.

Growth-oriented common stocks and other equity type securities (such as preferred stocks, convertible preferred stocks and convertible bonds) may involve larger price swings and greater potential for loss than other types of investments. Typically, the subadvisor intends to invest substantially all of the Fund’s investable assets in domestic securities. However, the Fund is permitted to invest up to 20% of its net assets in foreign securities. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets.

Average annual total returns include the change in share price and reinvestment of dividends and capital gain distributions. On 4/1/05, FMI Winslow Growth Fund was reorganized as MainStay Large Cap Growth Fund Class A shares. Performance for MainStay Large Cap Growth Fund Class A shares includes the historical performance of FMI Winslow Growth Fund from inception (7/1/95) through 3/31/05 adjusted to reflect the applicable sales charge and fees and expenses. Performance for Class I and Investor Class shares includes the historical performance of Class A shares from inception (7/1/95) through 3/31/05 for Class I shares and through 2/27/08. Class I shares are generally only available to corporate and institutional investors. Class R shares are available only through corporate-sponsored retirement plans.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. Index results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

The S&P 500® Index is widely regarded as the standard index for measuring large-cap U.S. stock market performance. Index results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

Active management is the use of a human element, such as a single manager, co-managers or a team of managers, to actively manage a fund’s portfolio. Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell. Active management typically charges higher fees.

All holdings are provided for illustrative purposes only and are not indicative of future holdings or weighting, do not constitute a recommendation to buy, sell or hold any such securities. Portfolio holdings are subject to change without prior notice. This information has been provided for informational purposes only and may change daily.

For more information about MainStay Funds®, call 800-624-6782 for a prospectus or summary prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.