INVESTOR'S BUSINESS DAILY®

VOL. 36, NO. 53 WWW.INVESTORS.COM WEEK OF APRIL 13, 2020

FUNDS & PERSONAL FINANCE

MUTUAL FUND PROFILE

Top Mutual Fund Seeks Stocks That Defy Covid-19 Market Crash

Strength From Diversification

Fund flexibility based on owning stocks with three types of revenue growth

BY PAUL KATZEFF
INVESTOR'S BUSINESS DAILY

Amid the coronavirus stock market crash, managers of top-performing MainStay Winslow Large Cap Growth Fund[MLAAX] seek stocks that defy the sell-off and others that they expect will outperform in the next rally.

They do it by sticking to their longtime plan. "Our approach has the built-in flexibility of aiming for three types of growth stocks," said lead manager Justin Kelly. "We can make adjustments. We can move more into consistent growth stocks, away from cyclicals."

Kelly and fellow manager Patrick Burton call their third group of equities, after consistent and cyclical growth stocks, dynamic growth stocks. "We haven't made much change in that area," Kelly said. "Some of those companies, like **Salesforce.com**[CRM] and **Facebook**[FB], will be impacted (by the coronavirus stock market crash). But they will be the strongest growth companies coming out of the second quarter as a recovery takes hold."

That doesn't mean Kelly and Burton expect a recovery to be confined to July. "We expect the recovery to be more in the third and fourth quarters and into 2021," Kelly said.

The $10.4 billion fund's three buckets of stocks reflect rates of revenue growth, not earnings growth. The idea behind divvying up their portfolio among three buckets is to diversify. The managers seek stocks whose earnings grow best in different parts of any economic cycle.

What are some stocks they think will thrive despite the coronavirus stock market crash? "A good example of that is **American Tower**[AMT]," Kelly said, referring to one of the fund's consistent revenue growth stocks. "That was a stock we didn't own before because it was too expensive. It sold off with the overall market. But we believe its business, if anything, will benefit from the coronavirus situation. We took its price decline as an opportunity to purchase the stock."

From the broad market's Feb. 19 pre-coronavirus crisis peak to its recent low, the S&P 500 collapsed 35%. It has regained all but 20%, going into Tuesday afternoon.

American Tower lost 30% at its trough. It has regained all but 4.5%.

Burton said, "American Tower's customers at the moment are seeing a surge in wireless data usage. As a provider of shared macro tower infrastructure, AMT will see a significant ramp-up in existing lease amendment activity as new telecom equipment is added to the present tower infrastructure footprint."

Burton adds that American Tower should also benefit from the recent merger between **T-Mobile**[TMUS] and Sprint. He expects the combined company to move forward quickly on its network buildout plans.

Stocks that get beaten up during the downturn and then should enjoy a strong rally, Kelly says, include **Visa**[V], **Mastercard**[MA], Facebook and Google-parent **Alphabet**[GOOGL].

Kelly and Burton like consistent revenue growers Visa and Mastercard since they benefit from the shift to digital payments globally. "In a post-crisis world, we expect the trend to continue if not accelerate," Kelly said. "Additionally, both companies make more in online transactions than offline."

Similarly, the managers expect dynamic revenue growers Facebook and Google to be early beneficiaries of an economic recovery because of the real-time demand for targeted digital advertising.

MainStay Winslow Large Cap Growth A

Justin Kelly

Patrick Burton

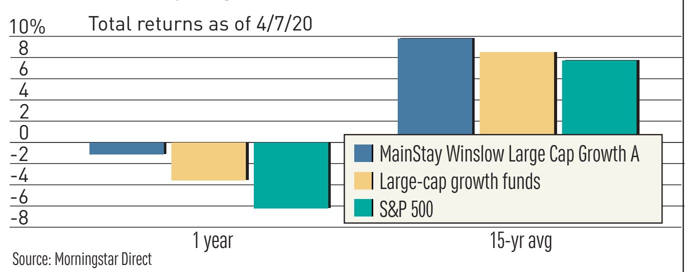
Max. front load:	5.50%
Expenses:	0.99%
Symbol:	MLAAX

Total returns as of 4/7/20

2019: 33.39%	3-yr. avg.:	13.56%
YTD: -11.44%	5-yr. avg.:	10.08%
	10-yr. avg.:	12.02%

Sector weightings as of 1/31/20

	% of stock assets	% of S&P 500
Cyclical	**35.27%**	
Basic materials	2.07	2.09%
Consumer cyclical	17.89	9.60
Financial services	12.58	13.79
Real estate	2.73	3.01
Economically sensitive	**50.05**	
Communication services	11.28	10.74
Energy	0.00	2.65
Industrials	4.42	8.71
Technology	34.35	22.18
Defensive	**14.68**	
Consumer defensive	0.90	8.14
Health care	13.78	15.54
Utilities	0.00	3.57



Source: Morningstar Direct

Dynamic revenue grower **Veeva Systems**VEEV has erased nearly its entire setback during the coronavirus stock market crash.

And Veeva software helps companies manage sales and operations as well as meet regulations. Its software helps customers track steps taken in the development of health care treatments. Lately, Veeva has expanded its software's use in consumer packaged goods and chemicals. In those fields, certain products face compliance burdens similar to what Veeva's software helps enterprises meet in health care.

Kelly said, "The reason the stock has held up much better than most stocks in the downturn is that Veeva sells almost exclusively into the health care industry, especially the pharmaceuticals industry. Customers there are less likely to defer spending."

There's a second reason for Veeva stock's strength. "Veeva has a recurring revenue model," Kelly said. "It is a software-as-a-service (SaaS) company, so it charges an annual subscription for its software. That makes its revenue less variable."

MicrosoftMSFT is in the fund's consistent growth bucket.

"Microsoft checks all the boxes we're looking for," Burton said. First, Microsoft's cloud services revenue growth is outpacing Amazon's cloud revenue growth. "And Microsoft Azure is the number-two market-share player in cloud-computing platforms. A number of their products, such as Office 365, have moved to the cloud."

Burton added, "So they're prime beneficiaries of the work-from-home movement. They have a product called Teams, which is a collaborative application that allows users in different locations to work together on a project. It's Microsoft's version of (a rival collaboration platform called) Slack. The number of Teams' users has basically doubled in about two months."

The work-from-home movement is driving an upgrade cycle in personal computer sales. In turn, that will drive an upgrade cycle in licensed sales of the Windows operating system, Burton predicts. Sales of subscription software should also rise, he adds.

Further, Microsoft's balance-sheet cash hoard will help the company weather the coronavirus stock market crash, Burton says.

The fund's long-term game plan has been a winning one. MainStay Winslow Large Cap Growth is a 2020 IBD Best Mutual Funds Awards winner. The fund topped the S&P 500 in calendar 2019 as well as over the three, five and 10 years ended Dec. 31 on an average-annual-return basis.

The fund has fared better than the broad market amid the coronavirus stock market correction too. So far this year, the fund has lost less than the overall market. Its setback was 11.44% vs. 17.24% for the S&P 500 and 13.63% for its large-cap growth rivals tracked by Morningstar Direct, going into Wednesday.

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MainStay Winslow Large Cap Growth Fund: Click on the fund name for the most current fund page, which includes, the prospectus, investment objectives, performance, risk, and other important information. 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. Visit nylinvestments.com/funds for the most recent month-end performance.

About Risk

The is no assurance that the funds objectives will be met. 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.

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.

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