NYLI Epoch U.S. Equity Yield SMA†

Portfolio managed by:

EPOCH

Shareholder Yield seeks to capture the productivity of a growing economy while aiming to maintain a defensive position should growth begin to falter.

Market Review

- U.S. equity markets were volatile again during the first quarter of the year, ending the period with mixed returns. Value indices were positive and outperformed growth indices which logged negative returns as the Magnificent 7 collectively fell into bear market territory. Most sectors were positive overall with energy, communication services, and health care generating the strongest returns. Information technology, consumer discretionary, and industrials were the sectors in negative territory.
- After a strong start to the year with some indices hitting record highs in mid-late February, stocks ended the quarter on a weak note driven in large part by growth fears that followed uncertainty around tariffs and the broader Trump 2.0 policy agenda. Tariffs were one of the biggest stories in the quarter as ramped up tariff threats in March, declaration of "Liberation Day and an announcement of 25% tariffs on auto imports all weighed on investor sentiment. Softer data, worries over disinflation traction, and cracks in the Artificial Intelligence (AI) secular growth narrative were also among the catalysts that contributed to the selloff in the back half of the quarter. The quarter also featured some increasingly hawkish fedspeak although the Federal Reserve's (Fed) latest Summary of Economic Projections continues to show expectations for two rate cuts this year. As expected, the Fed kept interest rates on hold at 4.25-4.50% during the quarter.

Portfolio Performance[1,2]

(as of 3/31/25)

	Pure Gross Return	Russell 1000 Value Index	Net Return*
QTR	2.09	2.14	1.33
YTD	2.09	2.14	1.33
1 Year	11.79	7.18	8.51
3 Years	9.05	6.64	5.84
5 Years	16.03	16.15	12.63
Since Inception[1] (7/31/2019)	10.34	9.50	7.09

Past performance is no guarantee of future results, which will vary.

1. Pure Gross and Net composite performance reflects-reinvestment of income and dividends. Results shown in U.S. dollars.

2. Supplemental information as of March 31, 2025. Based upon a representative account. Individual account results will vary. Additional information about the composite can be provided upon request

* Maximum program fee or highest advisory fee of 3% per annum (25 basis points per month).

† Effective 8/28/24, MainStay Epoch U.S. Equity Yield SMA was renamed NYLI Epoch U.S. Equity Yield SMA.

Portfolio Review

- For the quarter, the NYLI Epoch U.S. Equity Yield SMA (the “Strategy”) posted a return of 2.1% (Gross) and 1.3% (Net), performing in-line with the Russell 1000 Value Index which returned 2.1%. The strategy captured upside when markets rose through the first half of the quarter and provided downside participation during the sharp decline in March.
- Absolute return was positive in most sectors, with the largest contributions coming from health care and utilities. Health care return came primarily from strength in CVS and AbbVie. Both companies were boosted by strong earnings results and bullish guidance from management. Electric utilities contributed most notably to the return in utilities as the sector tends to be a safe haven in periods of volatility.
- On a relative basis, the strategy performed in-line with the broad market benchmark and finished behind the MSCI USA High Dividend Yield Index. Utilities were the largest contributor to relative return, owing to a mix of an overweight allocation to the sector and stock selection. Exposure to select electric utilities was a tailwind to performance. Conversely, the largest detraction came from information technology due to an overweight allocation and stock selection. Performance was hindered primarily by exposure to a few technology hardware stocks that were challenged during the quarter.
- Among the largest individual contributors to return were CVS and Philip Morris. CVS is an integrated health care services company that operates a nation-wide chain of retail pharmacies, is the largest U.S. pharmacy benefit manager, and provides health insurance through its subsidiary Aetna. CVS's share price outperformed this quarter on the back of a strong earnings report where CVS posted strong results and a guidance that brackets consensus but looks achievable and a good set-up for beating and raising. On the earnings call, management was very bullish and highlighted making "material progress" in stabilizing Aetna's operation and bringing financial discipline to the business. The new CEO also stated that he is "very, very confident and very, very bullish on the continued recovery of that business." Management commentary provided investors with some relief and boosted optimism, sending the share price higher. CVS offers an attractive dividend yield that is well covered by free cash flow, and management remains committed to its capital allocation policy. Philip Morris is a U.S.-domiciled international tobacco company and the manufacturer of the largest international brand – Marlboro. Shares outperformed over the quarter which reflected a positive reaction to the company's fourth quarter results and commentary at subsequent industry conferences. More recently, investors have reacted favorably to weakness in the U.S. dollar (PM reports in USD but earns >85% of revenue in other currencies) as well as its profile as a safe haven in the face of macroeconomic concerns. Longer-term, Philip Morris consistently generates attractive levels of free cash flow and returns cash to shareholders through a significant and growing dividend.
- Among the largest detractors were Broadcom and NetApp. Broadcom is a designer and manufacturer of digital and analog semiconductors focused on connectivity. It also develops and maintains software for mainframe applications. Shares underperformed as investors pulled back from AI themed names on worries of a capex slowdown. Early indications are spending on AI will continue to expand in 2026 despite DeepSeek claims of similar results at a lower cost. Revenues have yet to rampup and will need to for long term investment but near term the promise of AI is large, both in the transformation of industries and potential productivity gains. Being late or not committing to AI could have drastic consequence which should keep investment elevated over the near term. Broadcom returns cash to shareholders via an attractive dividend with a target of paying out 50% of free cash flow. The balance of cash generation is used to fund debt reduction, share repurchases, and/or accretive Mergers & Acquisitions (M&A). NetApp is a provider of network storage solutions for enterprises. This includes solutions for On-premises, Cloud, and Hybrid solutions. Shares were pressured by poor FY3Q25 results and lowered forward guidance. The company posted lower than expected close rates and pulled back expectations on U.S. government spending given current Department of Government Efficiency (DOGE) initiatives. The close rate issue has been addressed with greater oversight. Government spending should resume at the federal level as agencies gain greater clarity on the new administrations' priorities as investment is needed to modernize systems. The company returns ~60-70% of its free cash flow back to shareholders, split between a dividend and share repurchases. The balance of cash generation is targeted toward tuck-in acquisitions.
- New positions were initiated in Gilead Sciences and Microchip Technology. Gilead is a research-based biopharmaceutical company that discovers, develops, and commercializes therapeutics to advance the care of patients suffering from life-threatening diseases primarily related to HIV, Liver diseases and certain types of cancer. Gilead's HIV franchise constitutes 68% of the overall business and is experiencing mid-high single-digit growth. The company is actively pursuing opportunities to expand its oncology business, which represents 11% of revenues and has shown a year-over-year growth of 12%, as well as its liver disease business, which comprises 10% of revenues and has achieved an 8.5% year-over-year growth. Gilead has several upcoming milestones including launching a breakthrough pre-exposure prophylaxis (PrEP) medication to prevent HIV infection.

Portfolio Review (Continued)

The company is also expected to continue to grow its oncology and liver disease franchises. Gilead pays a growing dividend, focuses on paying down debt and small buybacks, but also enjoys a growing operating cash flow. Microchip is a leading supplier of Microcontrollers and Analog Microchips. The company's chips are built into products which are generally long lived, and the company continually reinvests in Research & Development (R&D) to drive further product innovation. Microchip has a diverse base of products with its largest exposure to the industrial sector. It pays a progressive dividend and will concentrate on debt paydown as we exit the current inventory cycle.

- There were no closed positions in the quarter.

Outlook

- While the U.S. economy has remained fundamentally strong, stickier than expected inflation alongside turbulence derived from rapid tariff announcements out of the white house have called into question soft-landing expectations. We expect some degree of inflationary pressures, demand erosion, impediments to economic growth and continued volatility as impacts resulting from the recently announced tariffs and a possible prolonged trade war. The ultimate impact on the real economy and corporate fundamentals is largely dependent on the duration and magnitude of tariffs globally. The Fed is in easing mode, but the path forward for monetary policy has been clouded by growth pressures and upside risks to inflation stemming from tariffs. Going forward, supportive policy for the labor market will need to be carefully balanced against the risk of reigniting inflation. Markets' initial exuberance over Donald Trump's victory has reversed, as the aggressive implementation of broad-based tariffs has eroded risk appetites recently. The administration has chosen to lean on tariffs as bargaining chips in geopolitical negotiations, making it difficult to discern what policy proposals are genuine versus what is being used to posture for negotiating power. This uncertainty has driven skittishness in equities and clouded capital market forecasts.
- Outside the U.S., the geopolitical and macroeconomic backdrop remains more challenging. A general uptick in geopolitical tension has remained an ongoing trend, with broad deglobalization and realignment of global supply chains via onshoring/reshoring and announced tariffs threatening to suppress long term growth potential.
- We are cautiously optimistic on the path forward for the economy and for equities from a fundamental standpoint, but recent developments place more emphasis on "caution" than "optimism". With the way forward so clouded by the current trade climate, the wide array of possible outcomes is something that investors should be considering while managing risk exposures and positioning for the year ahead. Shareholder Yield seeks to capture the productivity of a growing economy while aiming to maintain a defensive position should growth begin to falter. The strategy offers a diversified portfolio of high-quality companies with reliable free cash flow growth and long-standing track records for sound capital allocation practices, providing durable stability and long-term consistency. History has shown that remaining disciplined has rewarded patient investors over time. No one can predict how or when the current tariff war will be resolved. But we do have a firm conviction that the types of companies we invest in should have the ability to adapt and endure through this environment and even emerge stronger on the other side. At the portfolio level, diversification* across regions, sectors, and business models provides an additional cushion against today's uncertainty and volatility

* Diversification cannot assure a profit or protect against loss in a declining market.

Before You Invest

Definitions:

Earnings Per Share (EPS) is a figure describing a public company's profit per outstanding share of stock. It is the ratio of a company's net income to the number of its shares outstanding.

The **Personal Consumption Expenditures (PCE)** Price Index is a measure of the prices paid for goods and services by U.S. households and nonprofit institutions.

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

The **MSCI U.S.A High Dividend Yield Index** is based on the MSCI U.S.A Index and includes large and mid-cap stocks. The MSCI U.S.A High Dividend Yield Index is designed to reflect the performance of equities in the MSCI U.S.A Index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

Free cash flow (FCF) represents the cash available for the company to repay creditors or pay dividends and interest to investors.

Past performance does not guarantee future results.

Portfolio data and holdings are as of 3/31/25, are based on total net assets, and may change daily.

The opinions and statements expressed herein are for informational purposes and subject to change without notice.

This portfolio does not use derivatives. Annualized performance is of the NYLI Epoch U.S. Equity Yield Composite. Actual individual client account results may vary.

About risk

The principal risk of investing in value stocks is that the price of the security may not approach its anticipated value. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Investing in mid-cap stocks may carry more risk than investing in stocks of larger, more well-established companies. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets.

Please keep in mind that there is no assurance that investment objectives will be met, as the underlying investment options are subject to market risk and fluctuate in value.

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