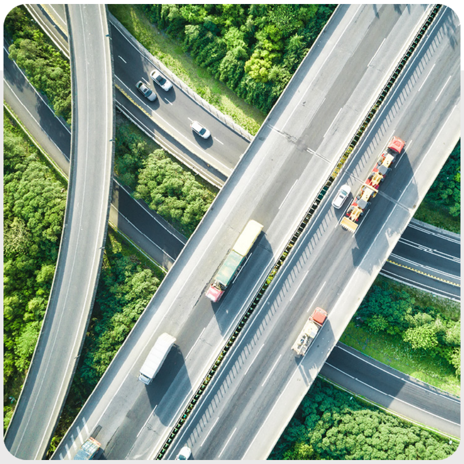


Multi-Sector Fixed Income—Positioning investors for 2025

From MacKay Shields

Our multi-sector fixed income approach is focused on a current ability to buy bonds at a discount; opportunities in securitization; and capitalizing on diversification, value and higher yields.

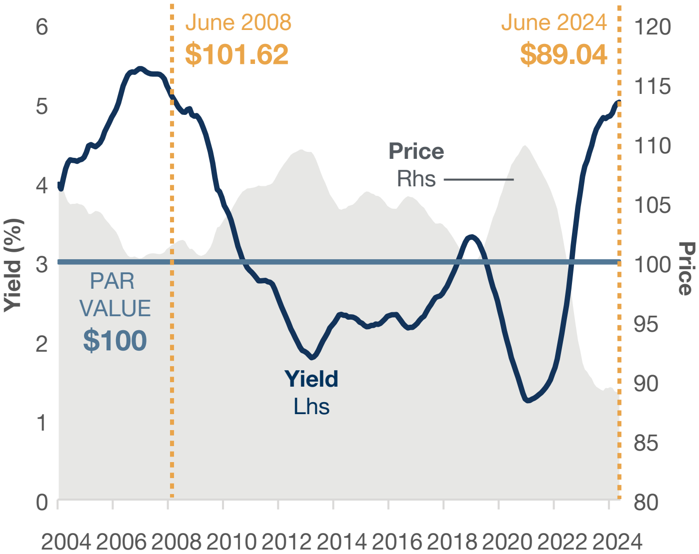
Buying at a Discount

There is an opportunity to buy bonds at a discount. But its significance is not widely understood. We believe this phenomenon gives us more opportunities to add potential return and resilience to a multi-asset portfolio.

Over the past year, investors could buy a 5% income stream for the first time in 16 years given the average yield on the U.S. Aggregate index—the broad investment-grade benchmark. Now, however, the price you pay for that 5% yield is just $89 versus the $101 it cost in 2008 when the market was trading at a premium to par value.

For multi-sector managers this marks an attractive entry point. As bonds are typically redeemed at par value, the "pull-to-par" effect results in price appreciation as the bond matures.

Figure 1: Cost of buying a 5% yield reached a 16-Year low



Bloomberg U.S. Aggregate Index as of June 30, 2024. **Past performance is not a reliable indicator of future performance.**

Source: Bloomberg.

It's also worth noting that as active managers, we look to add value relative to the aggregate index. We do that by looking for the pockets of value that offer above-market yields at below-market prices.

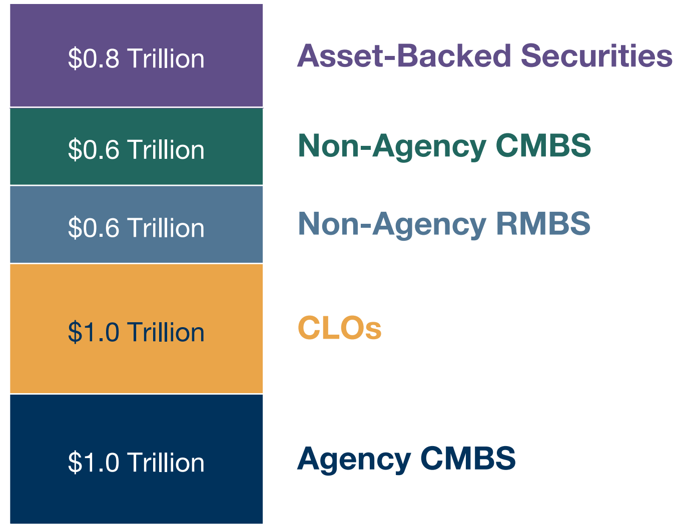
Income opportunities in securitization

The securitized market, which accounts for over 20% of the U.S. bond sector, offers fertile ground for income seekers and valuable portfolio benefits. Within securitized, the largest category is residential mortgage-backed securities (i.e. Fannie Mae, Freddie Mac and Ginny Mae) and the second largest one is structured credit.

While most of the Agency RMBS sector is in the Bloomberg U.S. Aggregate Index, just 15% of the structured credit market is in the benchmark. This provides active managers with great opportunities to generate alpha.

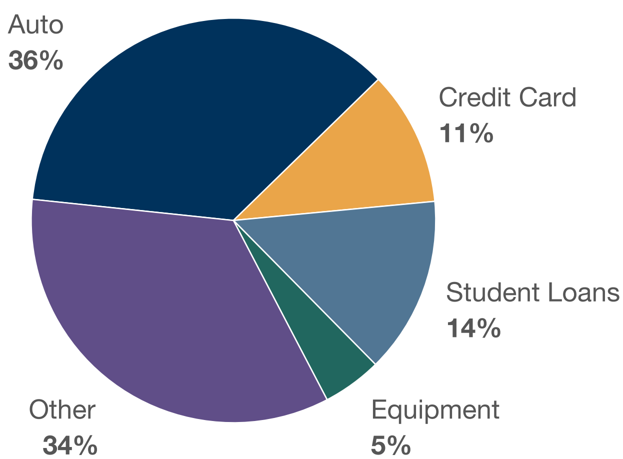
With assets of about $4 trillion, structured credit spans a variety of collateral types since many different asset types which generate contractual cashflow can be securitized.

Figure 2. Structured credit market value outstanding | $4T



As of December 31, 2023. Source: Bloomberg.

Figure 3. Asset-backed securities | Breakdown of collateral types



As of December 31, 2023. Source: Bloomberg.

The types of structured credit include agency issuance backed by commercial mortgages: collateralized loan obligations or CLOs; non-agency securities backed by residential mortgages; non-agency commercial mortgages; and asset backed securities. Even within CMBS only about one-quarter (26%) of the assets are offices and even there—where sentiment has been knocked—in our view, pockets of value exist. Other collateral types include hotels, industrial space, apartment blocks, storage and data centers, which have benefited greatly from the artificial intelligence (AI) boom.

One sub-sector of the structured credit sector with intriguing alpha generation characteristics is asset-backed securities (ABS). At almost one trillion dollars, there is considerable depth across ABS where auto loans, credit cards and student loans are common collateral types.

Meanwhile, over one-third (36%) of the ABS sector is designated as “Other”. This covers bonds backed by a huge variety of cash flows such as fast-food franchises, movie and music royalties, loans for RVs and boats, shipping containers, solar panels, cell phone towers and more.

These sub-sectors in ABS help investors gain exposure to different collateral types across the securitized market. What’s more, because these assets have a correlation of less than one, investors are able to diversify their economic exposure and revenue streams. In turn, this can help to reduce portfolio risk and can potentially help achieve better overall outcomes over time.

Capitalizing on diversification, value and higher yields

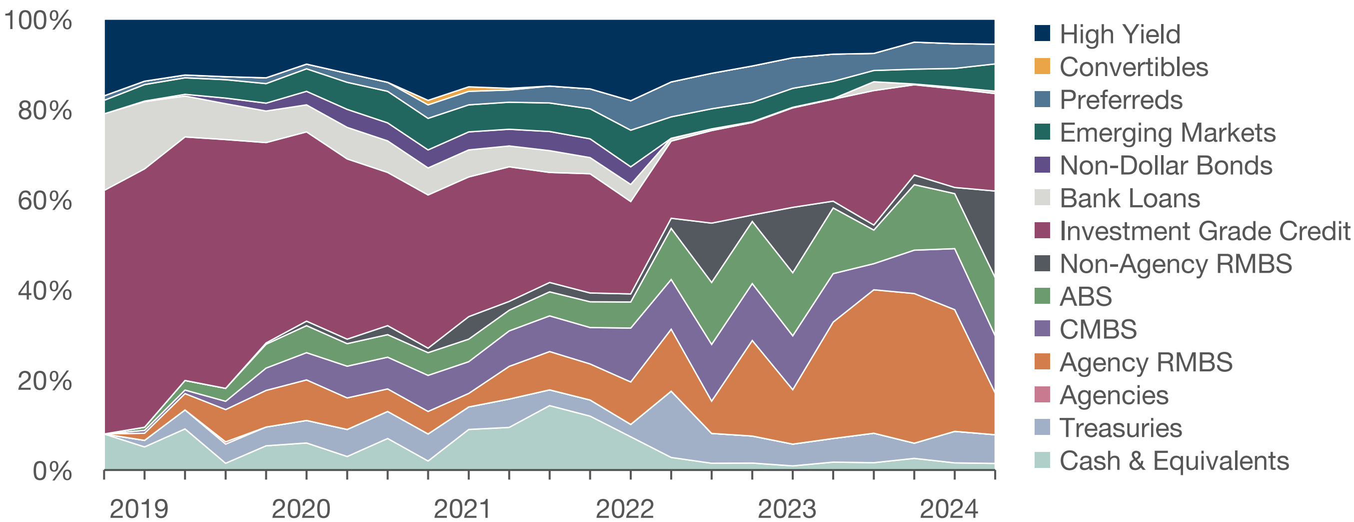
Multi-sector fixed income focuses on less well-known sectors and aspects of the market that are not widely understood, because this is where we believe active management often adds the most value. At this juncture we believe we have reached a turn in the interest rate cycle, albeit at a time of high levels of market and geopolitical uncertainty.

Investors thus need to consider their asset allocation in this environment and ways to build resilience into their portfolios. We believe it is important to take advantage of the whole fixed income toolkit, using multiple diversified sources of return, providing investors the flexibility to respond to changing opportunities.

The chart below shows how our multi-sector allocation has evolved in one of our less constrained portfolios.

Figure 4. Historical quarterly sector allocations for NYLI MacKay Strategic Bond Fund

Period ending June 30, 2024



Sector exposures include cash bonds, funds and derivatives. Data as of 6/30/24. Portfolio holdings are subject to change without notice. Asset allocation does not guarantee a profit or assure against market loss. Past performance is no guarantee of future results. See investment term definitions at the end of this report. For more information, visit the **NYLI MacKay Strategic Bond Fund** Page.

Over the past two years we have built a large overweight to securitized reflecting how the sector has evolved into a robust and growing market offering strong diversification benefits, income enhancement and total return potential. We believe having decades of experience in this asset class can give you an edge as a multi-sector manager.

Given that there has been some nervousness about mortgages and commercial real estate, this has caused much of the securitized market to trade cheaply, which we believe creates security selection opportunities. Many of the issuers whose corporate bonds we owned in the past also issue asset backed securities and, in some cases, these have offered better value than the unsecured bonds. By rotating into the secured bonds, we have found opportunities to own issuers we like, at higher yields and better risk profiles.

We have also looked closely at financials, which has underperformed the rest of the corporate bond market. Initially, this was driven by recession fears and concerns about bank profitability. Then in 2023, risk management failures at some of the regional banks and a selloff across financials created some security selection opportunities, especially among the stronger names in the regional banking segment.

If we look at the regional players and compare their performance to the top-tier banks, you can see that sharp divergence starting in 2023, and that valuation gap has not yet fully closed.

Conclusion

An actively managed multi-sector global fixed income portfolio can offer investors income returns and build resilience in today's volatile environment. Within this, there are four principles and one maxim we think investors should keep front of mind:

- Exploit the whole credit toolkit and avoid over-reliance on any one sector.
- Focus on misunderstood and underappreciated sectors.
- Take advantage of generalized selloffs to identify strong names in weak sectors.
- Engage with complexity because research gives you an edge.

The one maxim is straightforward: always be a value investor. Our multi-sector approach is nimble enough to make a difference for our investors by focusing on a high conviction investment process, in seeking attractive returns while carefully managing risks. The best risk management is owning the cheapest bond. Initially, we analyzed the benefits of buying bonds at a discount to par. As we then go on to observe, value comes in many forms. Harvesting value through savvy security selection and delving into niche sub-sectors can help identify unusual income generation opportunities in multi-sector fixed income, in seeking long term outperformance and total returns.

Index descriptions

Bloomberg U.S. Aggregate Bond Index - Bloomberg U.S. Aggregate Bond Index is a broad-based index that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasurys, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities, and commercial mortgage-backed securities, with maturities of at least one year. Index results assume the reinvestment of all capital gain and dividend distributions.

Bloomberg U.S. Corporate Bond Index - The Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Securitized MBS ABS CMBS Index - The Bloomberg Securitized MBS/ABS/CMBs Index tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC); investment grade debt asset backed securities; and investment grade commercial mortgage backed securities. The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage.

Bloomberg U.S. Treasury Index - The Bloomberg U.S. Treasury Index is an unmanaged index of prices of U.S. Treasury bonds with maturities of 1 to 30 years. You cannot invest directly in an index.

Bloomberg Global Aggregate Bond Index - Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

About Risk

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

Investing in below investment grade securities may carry a greater risk of nonpayment of interest or principal than higher-rated bonds. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets. Short positions pose a risk because they lose value as a security's price increases; therefore, the loss on a short sale is theoretically unlimited. As a result, these funds may not be suitable for all investors. The use of leverage may increase the Fund's exposure to long equity positions and make any change in the Fund's NAV greater than it would be without the use of leverage. This could result in increased volatility of returns. Issuers of convertible securities may not be as financially strong as those issuing securities with higher credit ratings and are more vulnerable to economic changes. The Fund may invest in derivatives, which may increase the volatility of the Fund's NAV. The principal risk of mortgage dollar rolls is that the security the Fund receives at the end of the transaction may be worth less than the security the Fund sold to the same counterparty at the beginning of the transaction. The principal risk of mortgage-related and asset-backed securities is that the underlying debt may be prepaid ahead of schedule, if interest rates fall, thereby reducing the value of the fund's investment. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk which is the possibility that the bond issuer may fail to pay interest and principal in a timely manner. If interest rates rise, less of the debt may be prepaid. Unconstrained bond funds generally have higher fees than the standard core bond funds. Certain environmental, social, and governance ("ESG") criteria may be considered when evaluating an investment opportunity. This may result in the Fund having exposure to securities or sectors that are significantly different than the composition of the Fund's benchmark and performing differently than other funds and strategies in its peer group that do not take into account ESG criteria.

Consider the Funds' investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus include this and other information about the Funds and are available by visiting the Prospectus. Read the prospectus carefully before investing.

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