Quarterly Commentary

NYLI Epoch U.S. Equity Yield SMA†

As of September 30, 2024

We expect more moderate equity returns looking forward, reflecting a mixed macroeconomic and geopolitical backdrop. We believe shareholder Yield is poised to capture the productivity of a growing economy while remaining defensively positioned for resiliency should growth begin to falter quicker than expected.

Portfolio managed by:

EPOCH

Market Review

U.S. equities continued to rally in the third quarter, with market breadth widening and corporate earnings remaining strong. Value outperformed growth, and all sectors were in positive territory except for energy, as oil prices saw their worst quarter this year. The utilities sector had the largest gains while real estate also posted strong results. The information technology generated a positive return but was the laggard.

Q3 saw solid performance from a wider spectrum of companies and increasing expectations for rate cuts in 2024. Behind this shift was a firming of expectations for an economic soft landing and a distinctly dovish Federal Reserve (Fed) pivot that has the market now looking for ~100 bp in total Fed policy easing this year. The market ended Q3 with consensus for an economic soft landing largely intact, but it was a bumpy road to that point as a soft June consumer price index (CPI) report drove rotations out of growth/momentum plays and into small-caps and rate-sensitive pockets of the market. The July CPI report also continued to cooperate with the disinflation narrative. While July's Federal Open Market Committee (FOMC) meeting leaned dovish, the Fed elected to stand pat on rates while noting that a September cut could be on the table. The FOMC's decision to start the easing cycle with a 50 bp reduction was generally welcomed by the market.

Portfolio Performance[1, 2]

	Pure Gross Return	Russell 1000 Value Index	Net Return*
QTR	10.50	9.43	9.70
YTD	21.68	16.68	19.03
1 Year	32.86	27.76	29.02
3 Years	12.40	9.03	9.11
5 Years	11.12	10.69	7.86
Since Inception[1] (7/31/2019)	11.43	10.44	8.16

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 September 30, 2024.

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

Portfolio Review

For the quarter, the NYLI Epoch U.S. Equity Yield SMA (the "Strategy") posted a return of 10.50% while the broad market returned 9.43% as measured by the Russell 1000 Value Index. The strategy led the benchmark for nearly the entire quarter and showed strong resilience during the two significant intra-quarter declines.

Absolute return was positive in nearly all sectors, with the largest contributions coming from financials and utilities. Financials' return was led by regional banks, though insurance

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

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and capital markets holdings helped materially as well. Utilities benefitted from a broad rotation to more defensive segments of the market through the quarter, and electric utilities were the primary driver of return in the sector.

The quarter was solid from a relative perspective, with the strategy finishing ahead of the broad market benchmark as well as the MSCI USA High Dividend Yield Index. Energy was biggest driver of relative return on the back of stock selection in oil, gas, and consumable fuel names. Performance benefitted from the strategy's tendency towards midstream holdings in the space, which are generally less tied to commodity prices, in a quarter where oil prices were under pressure. Financials were the next biggest contributor to relative return, owing mostly to stock selection in banks.

Among the largest individual contributors to return were Iron Mountain and IBM. Iron Mountain (IRM) provides physical document storage, retrieval, and destruction services, as well as digital data management services to clients globally. The company is structured as a Real Estate Investment Trust (REIT). Iron Mountain shares traded higher in the quarter supported by a strong Q2 earnings report delivered in August where revenues and adjusted EBITDA both rose year-over-year and came in above market expectations with the company stating that it now expects to report full-year results at the high end of the guidance range. IRM also announced a 10% dividend increase along with the earnings report. The company pays an attractive dividend that is expected to grow in-line with adjusted funds from operations (AFFO) per share growth at a mid- to high-single-digit rate. IBM is a leading provider of software solutions, consulting, application management, servers, and storage systems. Shares have outperformed as a result of better consulting performance than its peers. This is being driven by demand for its Artificial Intelligence (AI) and multi-cloud consulting solutions, which help clients navigate how to evaluate, develop, and deploy solutions in these expanding end markets. Its more traditional focused business has also held up better as the company has been able to show underlying growth based on the successful shifting of its sales mix to more value-add services. The company pays a well-covered, growing dividend.

Among the largest detractors were Dell and Merck. Dell is an IT service provider with products serving both the infrastructure marketplace by providing items such as servers and data storage as well as the consumer and commercial space with PC hardware and peripherals. Shares underperformed as investors unwound some of the AI trade on questions on its near-term prospects. Dell has been at the forefront of supplying companies with solutions to train and deploy AI models. Based on current market trends, we believe investment and expansion of AI may benefit Dell. The company returns cash back to shareholders through a combination of a growing dividend, periodic share repurchases and debt reduction. Merck is a large, U.S.-based pharmaceutical company that operates prescription medicine, vaccines, and animal health businesses. Shares traded lower following the Q2 earnings report. While results were reasonably good with sales and adjusted Earnings per share (EPS) ahead of consensus, the company raised concerns with comments surrounding their HPV vaccine Gardasil. Management indicated that Chinese demand for the vaccine was soft in the 2nd quarter. Since nothing has been disclosed that would suggest anything other than timing issues in shipments by their Chinese partner to vaccination centers, at this point it would seem the market is overreacting to a potential change in demand for Gardasil. Later in the period, shares moved lower in line with a general decline for global pharmaceutical peers. Merck pays an attractive and growing dividend, which is well-covered by free cash flow, and periodically repurchases shares.

A new position was initiated in Wells Fargo. Wells Fargo is a leading financial services company that provides a diversified set of banking, investment and mortgage products and services, as well as consumer and commercial finance. The company maintains a valuable deposit franchise and manages a diversified loan portfolio with an excellent credit quality history and strong balance sheet capitalization. Following several years remediating regulatory and legal issues, we expect removal of the asset cap imposed by regulators in 2018 to be a catalyst for earnings growth. Wells Fargo pays an attractive, well-covered dividend and regularly uses excess capital to repurchase shares.

Positions were closed in Waste Management and Arthur J. Gallagher. Waste Management provides waste collection, transfer, recycling, resource recovery, and disposal services, and operates waste-to-energy facilities. The company serves municipal, commercial, industrial, and residential customers throughout North America. Although business fundamentals have remained solid and the company continues to return capital though persistent dividends and share buybacks, Waste Management's shareholder yield has become compressed as a result of strong stock price performance. We exited the position to reallocate capital toward other opportunities. Arthur J. Gallagher (AJG) provides insurance brokerage, risk management, insurance claims management, employee-benefit consulting, and related services to clients globally. Although AJG pays a well-covered dividend, strong share price appreciation has reduced the shareholder yield potential. We exited the position in order to allocate capital toward other opportunities.

Outlook

After three strong quarters, we expect more moderate equity returns looking forward, reflecting a mixed macroeconomic and geopolitical backdrop. Continued strength in the U.S. economy alongside moderating inflation have seen fears of recession in the near-term erode, however, the path forward is still not set in stone. The Fed has kicked off easing with an aggressive 50bps interest rate cut in September, coming alongside rhetoric conveying a shift in focus from inflation to unemployment. Going forward, supportive policy for the labor market will need to be carefully balanced against the risk of reigniting inflation.

Corporate earnings have been strong, but much of that earnings strength has been concentrated in a handful of U.S. tech companies. We are nevertheless encouraged by the resilience we observe in recent earnings away from big tech and believe that investors' fixation on that cohort for much of this year offers a strong opportunity to find value in less rewarded market segments that are expected to produce strong, sustainable growth in earnings and free cash flow. Recent market broadening has supported this belief, and if we can avoid a hard landing and the Fed and other central banks get it right, we should see a continuation of this trend and good earnings from more companies. We note, however, that there are several risks to economic growth and corporate earnings. It is still premature to call victory against inflation. Wage growth remains elevated in labor intensive service industries and housing costs are proving sticky. Should inflation reassert itself, or should the lagged effects of monetary tightening begin to bite more acutely, there exists the possibility of a significant policy error by central banks around the world. There are also some signs of consumer weakening as the cumulative impact of inflation takes its toll.

Past performance does not guarantee future results. Portfolio data and holdings are as of 09/30/24, 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 MainStay 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

Outside the U.S., the geopolitical and macroeconomic backdrop is generally more challenging. As we saw earlier this year in France, elections around the world will continue to inject a degree of uncertainty into markets. Further potential catalysts for volatility stem from multiple armed conflicts that have erupted globally with little end in sight. Sustained escalation between Israel and Iran is particularly concerning, as it threatens a destabilization in global energy prices and the myriad knock-on effects that come with such a disruption. Monetary tightening has been felt more sharply abroad as well, with many central banks making their first rate cut before the Fed in response to slowing economies.

We believe shareholder yield is poised to capture the productivity of a growing economy while aiming to remain defensively positioned for resiliency should growth begin to falter quicker than expected. 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, which may help support durable stability and long-term consistency.

Definitions:

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

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.

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.

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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