

MainStay DefinedTerm Municipal Opportunities Fund  
Form N-CSRS  
February 08, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act File Number 811-22551

**MAINSTAY DEFINEDTERM MUNICIPAL**  
**OPPORTUNITIES FUND**

(Exact name of Registrant as specified in charter)

51 Madison Avenue, New York, NY 10010

(Address of principal executive offices) (Zip code)

**J. Kevin Gao, Esq.**

**169 Lackawanna Avenue**

**Parsippany, New Jersey 07054**

(Name and address of agent for service)

**Registrant's telephone number, including area code: (212) 576-7000**

**Date of fiscal year end: May 31**

**Date of reporting period: November 30, 2012**

**FORM N-CSR**

**Item 1. Reports to Stockholders.**

## **MainStay DefinedTerm Municipal Opportunities Fund**

Message from the President and Semiannual Report

Unaudited ; November 30, 2012

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## Message from the President

The outlook for credit markets generally brightened from the Fund's inception on June 26 through November 30, 2012. Earlier in 2012, the European Central Bank's Long Term Refinancing Operations had helped stabilize European credit markets and provide needed liquidity. Private holders of Greek sovereign debt had accepted a reduction in their recovery value, and the voluntary exchange helped soften concerns about foreign debt in general.

In the United States, the federal funds rate remained in a near-zero range. In a press release on October 24, 2012, the Federal Open Market Committee stated that it anticipated that exceptionally low levels for the federal funds rate were likely to be warranted at least through mid-2015. Meanwhile, the Federal Reserve continued to extend the average maturity of its holdings in U.S. Treasury securities and continued to reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities in additional agency mortgage-backed securities. These policies sought to put downward pressure on longer-term interest rates, support mortgage markets and help make broader financial conditions more accommodative.

During the reporting period, investors continued to flock to the municipal bond market, and many municipal issuers sought to refinance existing debt at lower interest rates. These market dynamics resulted in a shifting balance of supply and demand. Stabilizing markets and low short-term interest rates gave yield-hungry investors incentives to lengthen maturities and accept higher risk. High-yield municipal bonds and lower-rated high-grade municipals were particularly strong during the reporting period.

One exception was Puerto Rico, where credit fundamentals continued to weaken. This led to widespread concern over the quality of Puerto Rico's municipal debt, which is widely held across all 50 states. Shortly after the reporting period ended, Moody's Investors Service downgraded Puerto Rico general obligation and related bonds.

The following pages contain more specific information on the market events, investment decisions and securities that affected MainStay DefinedTerm Municipal Opportunities Fund from June 26 through November 30, 2012. Of course, past performance is no guarantee of future results.

We invite you to read the information carefully and use it as part of your ongoing portfolio evaluation and investment review.

Sincerely,

Stephen P. Fisher

President

The opinions expressed are as of the date of this report and are subject to change. There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

Not part of the Semiannual Report

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**Certain material in this report may include statements that constitute forward-looking statements under the U.S. securities laws. Forward-looking statements include, among other things, projections, estimates and information about possible or future results or events related to the Fund, market or regulatory developments. The views expressed herein are not guarantees of future performance or economic results and involve certain risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from the views expressed herein. The views expressed herein are subject to change at any time based upon economic, market, or other conditions and the Fund undertakes no obligation to update the views expressed herein.**

## Fund Performance and Statistics (Unaudited)

Performance data quoted represents past performance. Past performance is no guarantee of future results. Because of market volatility, current performance may be lower or higher than the figures shown. Index performance is shown for illustration purposes only. You cannot invest directly into an index. Investment return and principal value will fluctuate, and as a result, when shares are sold, they may be worth more or less than their original cost. For performance information current to the most recent month-end, please call 855-456-9683 or visit [mainstayinvestments.com/mmd](http://mainstayinvestments.com/mmd).

Total Returns <sup>1</sup>	Since Inception 6/26/12
NAV	10.74%
Market Price	5.58
Barclays Municipal Bond Index <sup>2</sup>	4.33
Average Lipper general & insured municipal debt fund (leveraged) <sup>3</sup>	10.77

### Fund Statistics (as of November 30, 2012)

NYSE Symbol	MMD	Premium/Discount <sup>4</sup>	0.10%
CUSIP	56064K100	Total Net Assets (millions)	\$ 572.7
Inception Date	6/26/12	Total Managed Assets (millions) <sup>5</sup>	\$ 797.1
Market Price	\$20.82	Leverage <sup>6</sup>	28.1%
NAV	\$20.80	Percent of AMT Bonds	5.97%

- Total returns shown at NAV assume dividends and capital gains distribution are reinvested.
- The Barclays Municipal Bond Index includes approximately 46,000 municipal bonds, rated Baa or better by Moody's, with a maturity of at least one year. Bonds subject to the alternative minimum tax or with floating or zero coupons are excluded. Total returns assume the reinvestment of all dividends and capital gains. An investment cannot be made directly in an index.
- The average Lipper general & insured municipal debt fund (leveraged) is representative of funds that, by portfolio practice, either invest primarily in municipal debt issues rated in the top four credit ratings or invest primarily in municipal debt issues insured as to timely payment. These funds can be leveraged via use of debt, preferred equity, and/or reverse repurchase agreements. This benchmark is a product of Lipper Inc. Lipper Inc. is an independent monitor of fund performance. Results are based on average total returns of similar funds with all dividend and capital gain distributions reinvested.
- Premium/Discount is the percentage (%) difference between the market price and the NAV price. When the market price exceeds the NAV, the Fund is trading at a Premium. When the market price is less than the NAV, the Fund is trading at a Discount.
- Managed Assets is defined as the Fund's total assets, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the purpose of creating effective leverage (i.e. tender option bonds) or Fund liabilities related to liquidation preference of any preferred shares issued).
- Leverage is based on the use of proceeds received from tender option bond transactions, issuing Preferred Shares, funds borrowed from banks or other institutions or derivative transactions, expressed as a percentage of Managed Assets.



Portfolio Composition as of November 30, 2012 (Unaudited)

California	20.4%
Ohio	9.2
Texas	7.8
Virginia	6.9
Michigan	6.6
Illinois	6.1
Florida	5.7
Pennsylvania	5.5
New Jersey	3.5
Nebraska	2.9
New Mexico	2.8
Washington	2.8
Louisiana	2.6
U.S. Virgin Islands	2.4
Hawaii	2.0
Guam	1.9
Nevada	1.6
Indiana	1.6%
Kansas	1.5
Iowa	1.4
Wisconsin	0.6
Alaska	0.6
Arizona	0.5
New York	0.5
Alabama	0.5
Missouri	0.4
New Hampshire	0.2
Vermont	0.2
West Virginia	0.2
Georgia	0.1
Colorado	0.0
Massachusetts	0.0
Other Assets, Less Liabilities	1.0
	100.0%

See Portfolio of Investments beginning on page 9 for specific holdings within these categories.

As a percentage of managed assets. Managed Assets is defined as the Fund's total assets, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the purpose of creating effective leverage (i.e. tender option bonds) or Fund liabilities related to liquidation preference of any preferred shares issued).

Less than one-tenth of a percent.

**Top Ten Holdings or Issuers Held as of November 30, 2012**

1. County of Miami-Dade FL Transit System Sales Surtax Revenue, Sales Tax, Revenue Bonds, 5.00%, due 7/1/42
2. California State Health Facility Authority, Stanford Hospital Clinics, Revenue Bonds, 5.00%, due 8/15/51
3. American Municipal Power, Inc., AMP Fremont Energy Center Project, Revenue Bonds, 5.00%, due 2/15/42
4. Metropolitan Pier & Exposition Authority, McCormick Place Project, Revenue Bonds, 5.00%, due 6/15/52
5. Norfolk Economic Development Authority, Health Care Facilities, Sentara Healthcare, Revenue Bonds, 5.00%, due 11/1/43
6. Central Plains Energy, Project No. 3, Revenue Bonds, 5.25%, due 9/1/37
7. New Mexico Hospital Equipment Loan Council, Presbyterian Healthcare Services, Revenue Bonds, 5.00%, due 8/1/42
8. Washington State Healthcare Facility Authority, Providence Health & Services, Revenue Bonds, 5.00%, due 10/1/42
9. Fairfax County Industrial Development Authority, Healthcare-Inova Health System, Revenue Bonds, 5.00%, due 5/15/40
10. Chicago, Unlimited General Obligation, 5.00%, due 1/1/40

**Credit Quality as of November 30, 2012 (Unaudited)**

Percentages are based on fixed-income securities held in the Fund's investment portfolio and exclude any equity or convertible securities and cash or cash equivalents. Ratings apply to the underlying portfolio of debt securities held by the Fund and are rated by an independent rating agency, such as Standard & Poor's, Moody's, and/or Fitch. If ratings are provided by the ratings agencies, but differ, the lower rating will be utilized. If only one rating is provided, the available rating will be utilized. Securities that are unrated by the rating agencies are reflected as such in the breakdown. Unrated securities do not necessarily indicate low quality. S&P rates borrowers on a scale from AAA to D. AAA through BBB represent investment grade, while BB through D represent non-investment grade.



## Portfolio Management Discussion and Analysis (Unaudited)

*Questions answered by Robert DiMella, CFA, John Loffredo, CFA, Michael Petty, Scott Sprauer and David Dowden of MacKay Shields LLC, the Fund's Subadvisor.*

### **How did MainStay DefinedTerm Municipal Opportunities Fund perform for the period from the Fund's inception on June 26, 2012, through November 30, 2012?**

From the Fund's inception on June 26, 2012, through November 30, 2012, MainStay DefinedTerm Municipal Opportunities Fund returned 10.74% at net asset value applicable to Common shares and 5.58% at market price. The Fund underperformed the 10.77% return of the average Lipper<sup>1</sup> general & insured municipal debt fund (leveraged) but outperformed the 4.33% return of the Barclays Municipal Bond Index<sup>2</sup> for the period from June 26 through November 30, 2012.

### **What factors affected the Fund's relative performance during the reporting period?**

The Fund's net asset value outperformance of the Barclays Municipal Bond Index resulted primarily from an overweight position in bonds rated A and BBB<sup>3</sup> as credit spreads<sup>4</sup> tightened. Individual security selection was the leading reason why the Fund outperformed the Barclays Municipal Bond Index. Security selection more than offset any temporary drag on relative performance caused by the Fund's large cash position during the ramp-up period.

### **How was the Fund's leverage strategy implemented during the reporting period?**

The Fund's leverage strategy used a combination of preferred shares and tender option bonds. We invested the leverage proceeds at levels we viewed as attractive, and this enabled the Fund to generate an income stream coupled with some capital appreciation. As of November 30, 2012, the Fund's leverage was equal to 28.1% of the Fund's managed assets.

### **What was the Fund's duration strategy during the reporting period?**

The Fund had an overweight position in lower-rated investment-grade bonds and in higher-rated non-investment-grade bonds with excess return potential based on spread relative to the Barclays Municipal Bond Index. The Fund's positioning, which consisted of longer-duration securities, added to the Fund's

return. Toward the end of the reporting period, the Fund implemented a U.S. Treasury futures position to shorten duration to a neutral position relative to the Fund's benchmark, the Barclays Municipal Bond Index.

### **What specific factors, risks or market forces prompted significant decisions for the Fund during the reporting period?**

The Fund was in ramp-up mode for nearly half of the reporting period. This made each transaction an important factor that influenced decisions for the Fund. We focused most of our purchases on lower-rated investment-grade and higher-rated below-investment-grade bonds that we felt offered shareholders the best risk/return potential in the then-current market environment. We also favored maturities greater than 20 years and bonds priced at a discount to their respective coupons, as investors sought income and total return by moving out the municipal yield curve<sup>6</sup> and down in credit quality. We felt the biggest risk factor in the municipal marketplace was the financial deterioration of the Commonwealth of Puerto Rico. For this reason, we avoided exposure to Puerto Rico as we constructed the Fund's portfolio.

### **During the reporting period, which market segments made the strongest positive contributions to the Fund's performance and which market segments were particularly weak?**

On an absolute basis, the most significant positive contributions to the Fund's performance came from bonds rated A and BBB and from bonds with maturities of 20 years or more. Spread tightening and a flattening of the municipal yield curve were significant drivers of the municipal market during the reporting period. In addition, increased exposure to zero coupon bonds and to the state of California contributed positively to the Fund's performance, as spreads were wide compared to historical averages and tightened as interest rates remained low and supply remained relatively limited. The decision to avoid exposure to Puerto Rico bonds also contributed positively to performance. During the reporting period, there were no market segments that detracted from performance.

1. See footnote on page 5 for more information on Lipper Inc.
2. See footnote on page 5 for more information on Barclays Municipal Bond Index.
3. An obligation rated "A" by Standard & Poor's ("S&P") is deemed by S&P to be somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. In the opinion of S&P, however, the obligor's capacity to meet its financial commitment on the obligation is still strong. An obligation rated "BBB" by S&P is deemed by S&P to exhibit adequate protection parameters. It is the opinion of S&P, however, that adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. When applied to Fund holdings, ratings are based solely on the creditworthiness of the bonds in the portfolio and are not meant to represent the security or safety of the Fund.
4. The terms "spread" and "yield spread" may refer to the difference in yield between a security or type of security and comparable U.S. Treasury issues. The terms may also refer to the difference in yield between two specific securities or types of securities at a given time. The term "credit spreads" may refer to the yield spread between credit securities and comparable U.S. Treasury securities.
5. Duration is a measure of the price sensitivity of a fixed-income investment to changes in interest rates. Duration is expressed as a number of years and is considered a more accurate sensitivity gauge than average maturity.
6. The yield curve is a line that plots the yields of various securities of similar quality—typically U.S. Treasury issues, but in this case, municipal issues—across a range of maturities. The U.S. Treasury yield curve serves as a benchmark for other debt and is used in economic forecasting.

**Did the Fund make any significant purchases or sales during the reporting period?**

Because the reporting period included the time when we initially invested the Fund's assets, all of the trades in the Fund may be considered significant.

**How did the Fund's sector weightings change during the reporting period?**

Given the short period since the Fund's inception, its sector weights changed as bonds were purchased. We implemented our objective to construct a reasonably well diversified portfolio across states and sectors.

**How was the Fund positioned at the end of November 2012?**

As of November 30, 2012, the Fund's duration was in line with the Barclays Municipal Bond Index, and this served to mute volatility and mitigate interest-rate risk. As of the same date, the Fund was fully invested. The Fund was overweight in California bonds and underweight in hospitals. It also had no exposure to Puerto Rico bonds.

The opinions expressed are those of the portfolio managers as of the date of this report and are subject to change. There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and it not intended as an endorsement of any specific investment.

## Portfolio of Investments

November 30, 2012 (Unaudited)

	Principal Amount	Value
<b>Municipal Bonds 137.8%</b>		
<b>Alabama 0.6% (0.5% of Managed Assets)</b>		
Birmingham Jefferson Civic Center Authority, Special Tax Series A, Insured: AMBAC 4.125%, due 7/1/14	\$ 250,000	\$ 249,275
Jefferson County, Limited Obligation School, Revenue Bonds Series A, Insured: AMBAC 4.75%, due 1/1/25	250,000	241,947
Jefferson County, Public Building Authority, Revenue Bonds Insured: AMBAC 5.00%, due 4/1/26	4,500,000	3,168,630
		3,659,852
<b>Alaska 0.8% (0.6% of Managed Assets)</b>		
Northern Tobacco Securitization Corp., Tobacco Settlement, Asset-Backed, Revenue Bonds Series A 5.00%, due 6/1/46	5,295,000	4,514,146
<b>Arizona 0.7% (0.5% of Managed Assets)</b>		
Phoenix Industrial Development Authority, Downtown Phoenix Student LLC, Revenue Bonds Series A, Insured: AMBAC 4.50%, due 7/1/32	1,000,000	824,480
Phoenix Industrial Development Authority, Downtown Phoenix Student LLC, Revenue Bonds Series A, Insured: AMBAC 4.50%, due 7/1/42	140,000	106,529
Phoenix Industrial Development Authority, Espiritu Community Development Corp., Revenue Bonds Series A 6.25%, due 7/1/36	2,000,000	2,030,040
Pima County Industrial Development Authority, PLC Charter Schools Project, Revenue Bonds 6.75%, due 4/1/36	1,075,000	1,084,901
		4,045,950
<b>California 28.3% (20.4% of Managed Assets)</b>		
Big Pine Unified School District, Capital Appreciation, Unlimited General Obligation Insured: AGM (zero coupon), due 8/1/40	5,050,000	1,212,606
	<b>Principal Amount</b>	<b>Value</b>
<b>California 28.3% (20.4% of Managed Assets) (continued)</b>		
California County Tobacco Securitization Agency, Asset Backed, Revenue Bonds Series A 5.125%, due 6/1/38	\$ 3,060,000	\$ 2,779,184
California County Tobacco Securitization Agency, Asset Backed, Revenue Bonds Series A 5.60%, due 6/1/36	2,575,000	2,455,443
California Municipal Finance Authority, Southwestern Law School, Revenue Bonds 6.50%, due 11/1/31	500,000	614,270
California Municipal Finance Authority, Southwestern Law School, Revenue Bonds 6.50%, due 11/1/41	2,665,000	3,210,978
California State Health Facility Authority, Stanford Hospital Clinics, Revenue Bonds Series A 5.00%, due 8/15/51 (a)(c)	21,000,000	24,141,600
Carson Redevelopment Agency, Redevelopment Project Area 1, Tax Allocation Series B, Insured: NATL-RE (zero coupon), due 10/1/25	75,000	41,276
Centinela Valley Union High School District, Unlimited General Obligation Series B, Insured: AGM (zero coupon), due 8/1/45	4,680,000	722,592

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Ceres Unified School District, Cabs-Election, Unlimited General Obligation		
Series A		
(zero coupon), due 8/1/43	6,375,000	843,285
Coachella Valley Unified School District, Election 2005, Unlimited General Obligation		
Series D, Insured: AGM		
5.00%, due 8/1/37	10,000,000	11,481,900
Desert Community College District, Capital Appreciation, Election 2004, Unlimited General Obligation		
Series C, Insured: AGM		
(zero coupon), due 8/1/46	74,230,000	12,123,244
El Dorado Union High School District, Unlimited General Obligation		
(zero coupon), due 8/1/36	5,080,000	1,609,649
(zero coupon), due 8/1/37	5,220,000	1,568,036
(zero coupon), due 8/1/38	5,420,000	1,516,082
(zero coupon), due 8/1/39	5,625,000	1,470,262
(zero coupon), due 8/1/40	5,830,000	1,441,293
(zero coupon), due 8/1/41	6,050,000	1,417,999
Fontana Unified School District, Cabs Unlimited General Obligation		
Series C		
(zero coupon), due 8/1/34	14,000,000	4,628,400

Percentages indicated are based on Fund net assets applicable to Common shares, unless otherwise noted.

Among the Fund's 10 largest holdings or issuers held, as of November 30, 2012. May be subject to change daily.

The notes to the financial statements are an integral part of, and should be read in conjunction with, the financial statements.

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## Portfolio of Investments

November 30, 2012 (Unaudited) (continued)

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>California 28.3% (20.4% of Managed Assets) (continued)</b>		
Fontana Unified School District, Cabs Unlimited General Obligation (continued)		
Series C		
(zero coupon), due 8/1/40	\$ 10,000,000	\$ 2,182,700
Series C		
(zero coupon), due 8/1/41	19,700,000	4,044,410
Series C		
(zero coupon), due 8/1/42	18,600,000	3,595,938
Foothill-Eastern Transportation Corridor Agency, Revenue Bonds		
(zero coupon), due 1/15/31	5,000,000	1,695,150
Fresno, California Unified School District Education, Unlimited General Obligation		
Series G		
(zero coupon), due 8/1/31	9,950,000	3,454,739
Golden State Tobacco Securitization Corp., Asset Backed, Revenue Bonds		
Series A-1		
5.125%, due 6/1/47	10,550,000	8,917,071
Series A-2		
5.30%, due 6/1/37	5,000,000	4,471,000
Golden State Tobacco Securitization Corp., Revenue Bonds		
Series A, Insured: AGC-ICC, FGIC		
5.00%, due 6/1/35 (a)(c)	16,110,000	17,103,343
Insured: AGM, AMBAC, FSA		
5.00%, due 6/1/45	4,020,000	4,252,838
Inglewood Public Financing Authority, Cabs-Lease, Revenue Bonds		
(zero coupon), due 8/1/30	2,530,000	758,342
(zero coupon), due 8/1/31	2,530,000	697,192
Kings Canyon Joint Unified School District, Unlimited General Obligation		
Series C		
(zero coupon), due 8/1/51	25,700,000	2,542,244
Lancaster Financing Authority, Subordinated Project No. 5 & 6, Redevelopment Projects, Tax Allocation		
Series B, Insured: FGIC, NATL-RE		
4.625%, due 2/1/24	215,000	210,816
Marysville Joint Unified School District, Capital Project, Certificates of Participation		
Insured: AGM		
(zero coupon), due 6/1/25	1,850,000	1,009,027
Insured: AGM		
(zero coupon), due 6/1/27	2,445,000	1,181,082
Insured: AGM		
(zero coupon), due 6/1/33	2,800,000	879,284
	<b>Principal Amount</b>	<b>Value</b>
<b>California 28.3% (20.4% of Managed Assets) (continued)</b>		
Marysville Joint Unified School District, Capital Project, Certificates of Participation (continued)		
Insured: AGM		
(zero coupon), due 6/1/34	\$ 2,820,000	\$ 836,215
Insured: AGM		
(zero coupon), due 6/1/38	2,820,000	632,921
Insured: AGM		
(zero coupon), due 6/1/39	2,820,000	592,933
Insured: AGM		
(zero coupon), due 6/1/40	2,820,000	555,907
Merced Union High School District, Cabs-Election, Unlimited General Obligation		
Series C		
(zero coupon), due 8/1/41	16,780,000	3,008,486
Oakland Unified School District, Election 2000, Unlimited General Obligation Insured: NATL-RE		
4.50%, due 8/1/30	10,000,000	10,161,700
	20,190,000	2,171,031

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Oceanside, California Unified School District, Unlimited General Obligation Series C (zero coupon), due 8/1/50		
Pittsburg Unified School District, Unlimited General Obligation Series C (zero coupon), due 8/1/40	1,640,000	352,846
Richland School District, Unlimited General Obligation Series C, Insured: AGM (zero coupon), due 8/1/49	5,000,000	791,350
San Bernardino City Unified School District, Unlimited General Obligation Series C, Insured: NATL-RE (zero coupon), due 8/1/31	5,000,000	1,919,950
San Joaquin Hills Transportation Corridor Agency, Revenue Bonds Series A, Insured: NATL-RE (zero coupon), due 1/15/22	215,000	139,589
Series A, Insured: NATL-RE (zero coupon), due 1/15/25	250,000	138,510
Series A, Insured: NATL-RE (zero coupon), due 1/15/31	150,000	60,105
Series A, Insured: NATL-RE 5.25%, due 1/15/30	900,000	901,044
Series A, Insured: NATL-RE 5.375%, due 1/15/29	455,000	456,219

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The notes to the financial statements are an integral part of,  
and should be read in conjunction with, the financial statements.

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>California 28.3% (20.4% of Managed Assets) (continued)</b>		
San Jose Redevelopment Agency, Merged Area Redevelopment Project, Tax Allocation Series C, Insured: NATL-RE 3.75%, due 8/1/28	\$ 2,220,000	\$ 2,076,921
Stockton Public Financing Authority, Parking & Capital Projects, Revenue Bonds Insured: FGIC, NATL-RE 4.25%, due 9/1/14	50,000	49,655
Insured: FGIC, NATL-RE 4.50%, due 9/1/17	100,000	98,067
Insured: FGIC, NATL-RE 4.80%, due 9/1/20	105,000	101,949
Stockton Public Financing Authority, Redevelopment Projects, Revenue Bonds Series A, Insured: RADIANT 5.25%, due 9/1/31	630,000	495,772
Series A, Insured: RADIANT 5.25%, due 9/1/34	2,900,000	2,213,396
Stockton Public Financing Authority, Water System, Capital Improvement Projects, Revenue Bonds Series A, Insured: NATL-RE 5.00%, due 10/1/31	165,000	165,421
Stockton, California Unified School District, Unlimited General Obligation Series D, Insured: AGM (zero coupon), due 8/1/35	2,580,000	810,043
Series D, Insured: AGM (zero coupon), due 8/1/40	13,930,000	3,210,586
		162,213,891
<b>Colorado 0.0% (0.0% of Managed Assets)</b>		
E-470 Public Highway Authority, Revenue Bonds Series B, Insured: NATL-RE (zero coupon), due 9/1/29	660,000	277,088
<b>Florida 7.9% (5.7% of Managed Assets)</b>		
City of Orlando, Tourist Development Tax Revenue, 3rd Lien, 6th Cent Contract, Revenue Bonds Insured: GTY 5.50%, due 11/1/38	20,000,000	21,030,600
County of Miami-Dade FL Transit System Sales Surtax Revenue, Sales Tax, Revenue Bonds 5.00%, due 7/1/42 (a)(c)	21,000,000	24,466,470
		45,497,070
	Principal Amount	Value
<b>Georgia 0.1% (0.1% of Managed Assets)</b>		
Marietta Development Authority, University Facilities-Life University, Inc. Project, Revenue Bonds 6.25%, due 6/15/20	\$ 475,000	\$ 504,122
<b>Guam 2.7% (1.9% of Managed Assets)</b>		
Guam Economic Development & Commerce Authority, Tobacco Settlement Asset Backed, Revenue Bonds 5.625%, due 6/1/47	500,000	457,030
Guam Power Authority, Revenue Bonds Series A 5.00%, due 10/1/34	13,030,000	14,887,687
		15,344,717

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### Hawaii 2.8% (2.0% of Managed Assets)

Hawaii State Department of Budget & Finance, Hawaiian Electric Co., Revenue Bonds Series A, Insured: FGIC 4.65%, due 3/1/37 (b)	15,510,000	16,028,499
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### Illinois 8.4% (6.1% of Managed Assets)

Chicago, Unlimited General Obligation Series C 5.00%, due 1/1/40 (a)(c)	19,570,000	21,600,192
Illinois Finance Authority Revenue, Lake Forest College, Revenue Bonds Series A 5.00%, due 10/1/22	500,000	548,405
Series A 5.75%, due 10/1/32	1,000,000	1,068,060
Series A 6.00%, due 10/1/48	2,200,000	2,330,526
Metropolitan Pier & Exposition Authority, McCormick Place Project, Revenue Bonds Series B 5.00%, due 6/15/52 (a)(c)	20,000,000	22,840,753
		48,387,936

### Indiana 2.2% (1.6% of Managed Assets)

Anderson Economic Development Revenue, Anderson University Project, Revenue Bonds 5.00%, due 10/1/32	1,290,000	1,041,443
City of Carmel, Barrington Carmel Project, Revenue Bonds Series A 7.00%, due 11/15/32	1,650,000	1,798,665
Series A 7.125%, due 11/15/42	3,000,000	3,268,950

The notes to the financial statements are an integral part of, and should be read in conjunction with, the financial statements.

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## Portfolio of Investments

November 30, 2012 (Unaudited) (continued)

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Indiana 2.2% (1.6% of Managed Assets) (continued)</b>		
Indiana Finance Authority, Environmental Revenue, U.S. Steel Corp. Project, Revenue Bonds 5.75%, due 8/1/42 (b)	\$ 6,250,000	\$ 6,260,000
		12,369,058
<b>Iowa 1.9% (1.4% of Managed Assets)</b>		
Coralville Urban Renewal Revenue, Tax Increment, Tax Allocation Series C 5.00%, due 6/1/47	4,220,000	4,298,070
Iowa Higher Education Loan Authority, Private College Facility, Wartburg College, Revenue Bonds Series B  5.50%, due 10/1/31	2,105,000	2,063,721
5.55%, due 10/1/37	4,680,000	4,514,702
		10,876,493
<b>Kansas 2.1% (1.5% of Managed Assets)</b>		
Wyandotte County-Kansas City Unified Government, Capital Appreciation, Sales Tax, Revenue Bonds (zero coupon), due 6/1/21	17,175,000	11,815,369
<b>Louisiana 3.7% (2.6% of Managed Assets)</b>		
Louisiana Local Government Environmental Facilities & Community Development Authority, Parking Facilities Corp., Revenue Bonds Insured: AGM 4.00%, due 10/1/31	1,000,000	1,031,700
Louisiana Public Facilities Authority, Archdiocese of New Orleans Project, Revenue Bonds Insured: CIFG 4.50%, due 7/1/37	14,000,000	14,459,060
Louisiana Public Facilities Authority, Black & Gold Facilities Project, Revenue Bonds Series A, Insured: CIFG  4.50%, due 7/1/38	405,000	357,818
Series A, Insured: CIFG  5.00%, due 7/1/22	1,105,000	1,114,326
Series A, Insured: CIFG  5.00%, due 7/1/24	1,200,000	1,206,588
Series A, Insured: CIFG  5.00%, due 7/1/30	2,870,000	2,856,597
		21,026,089
	Principal Amount	Value
<b>Massachusetts 0.0% (0.0% of Managed Assets)</b>		
Massachusetts Development Finance Agency, Seven Hills Foundation & Affiliates, Revenue Bonds Insured: RADIANT 5.00%, due 9/1/35	\$ 150,000	\$ 150,984

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Massachusetts Port Authority Facilities, Delta Airlines, Inc. Project, Revenue Bonds		
Series A, Insured: AMBAC		
5.50%, due 1/1/19 (b)	50,000	50,505
		201,489
<b>Michigan 9.1% (6.6% of Managed Assets)</b>		
Detroit, Michigan Sewerage Disposal System, Second Lien, Revenue Bonds		
Series B, Insured: FGIC, NATL-RE		
5.50%, due 7/1/29	10,000,000	12,199,300
Detroit, Michigan Water and Sewerage Department, Senior Lien, Revenue Bonds Series A		
5.25%, due 7/1/39	9,000,000	10,043,820
Detroit, Michigan Water Supply System, Revenue Bonds		
Series A		
5.75%, due 7/1/37	5,000,000	5,682,900
Michigan Finance Authority, Limited Obligation, Public School Academy, University Learning, Revenue Bonds		
7.375%, due 11/1/30	2,920,000	3,413,714
Michigan Finance Authority, Public School Academy, Revenue Bonds		
7.50%, due 11/1/40	2,745,000	3,197,239
Michigan Public Educational Facilities Authority, Dr. Joseph F. Pollack, Revenue Bonds		
8.00%, due 4/1/30	1,195,000	1,368,562
8.00%, due 4/1/40	500,000	568,105
Michigan Tobacco Settlement Finance Authority, Revenue Bonds		
Series A		
5.125%, due 6/1/22	6,575,000	5,954,451
Series A		
6.00%, due 6/1/34	5,000,000	4,583,000
Series A		
6.00%, due 6/1/48	5,935,000	5,411,711
		52,422,802
<b>Missouri 0.5% (0.4% of Managed Assets)</b>		
St. Louis County Industrial Development Authority, Nazareth Living Center, Revenue Bonds		
5.875%, due 8/15/32	750,000	782,040
6.125%, due 8/15/42	2,120,000	2,208,404
		2,990,444

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Nebraska 4.0% (2.9% of Managed Assets)</b>		
Central Plains Energy, Project No. 3, Revenue Bonds 5.25%, due 9/1/37 (a)(c)	\$ 20,000,000	\$ 22,754,800
<b>Nevada 2.3% (1.6% of Managed Assets)</b>		
City of Sparks, Tourism Improvement District No. 1, Senior Sales Tax Anticipation, Revenue Bonds Series A 6.75%, due 6/15/28 (c)	12,500,000	13,001,625
<b>New Hampshire 0.3% (0.2% of Managed Assets)</b>		
Manchester Housing & Redevelopment Authority Inc., Revenue Bonds Series B, Insured : ACA (zero coupon), due 1/1/24	4,740,000	1,492,816
<b>New Jersey 4.9% (3.5% of Managed Assets)</b>		
New Jersey Economic Development Authority, Continental Airlines, Inc. Project, Revenue Bonds		
5.125%, due 9/15/23 (b)	1,740,000	1,786,336
5.25%, due 9/15/29 (b)	6,620,000	6,835,614
7.00%, due 11/15/30 (b)	2,500,000	2,509,525
New Jersey Economic Development Authority, UMM Energy Partners, Revenue Bonds Series A		
4.75%, due 6/15/32 (b) Series A	1,000,000	1,048,150
5.00%, due 6/15/37 (b) Series A	1,000,000	1,056,700
5.125%, due 6/15/43 (b)	1,000,000	1,058,050
New Jersey Healthcare Facilities Financing Authority, St. Barnabas Healthcare, Revenue Bonds Series B (zero coupon), due 7/1/36	100,000	31,343
New Jersey Tobacco Settlement Financing Corp., Revenue Bonds Series 1A 5.00%, due 6/1/41	15,000,000	13,568,100
		27,893,818
<b>New Mexico 4.0% (2.8% of Managed Assets)</b>		
New Mexico Hospital Equipment Loan Council, Presbyterian Healthcare Services, Revenue Bonds Series A 5.00%, due 8/1/42 (a)(c)	20,000,000	22,714,388
	<b>Principal Amount</b>	<b>Value</b>
<b>New York 0.7% (0.5% of Managed Assets)</b>		
Niagara Area Development Corp., Covanta Energy Project, Revenue Bonds 5.25%, due 11/1/42 (b)	\$ 4,000,000	\$ 4,085,440
<b>Ohio 12.9% (9.2% of Managed Assets)</b>		
American Municipal Power, Inc., AMP Fremont Energy Center Project, Revenue Bonds Series B 5.00%, due 2/15/42 (a)(c)	20,945,000	23,885,464
Buckeye Tobacco Settlement Financing Authority, Asset-Backed, Senior Turbo, Revenue Bonds		

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### Series A-2

5.875%, due 6/1/30 Series A-2	2,300,000	2,082,006
5.875%, due 6/1/47 Series A-2	10,690,000	9,535,159
6.00%, due 6/1/42 Franklin County Ohio Hospital Facilities, Nationwide Children Hospital Project, Revenue Bonds Series A	5,915,000	5,371,411
5.00%, due 11/1/42 (a)(c) Southeastern Ohio Port Authority, Hospital Facilities Revenue, Memorial Health Systems, Revenue Bonds	15,570,000	17,853,807
5.75%, due 12/1/32	6,700,000	7,250,740
6.00%, due 12/1/42	7,000,000	7,655,270
		<b>73,633,857</b>

### **Pennsylvania 7.7% (5.5% of Managed Assets)**

Harrisburg Parking Authority, Packaging Revenue, Revenue Bonds  
Series O, Insured: AMBAC

5.00%, due 8/1/14 Series O, Insured: AMBAC	145,000	143,767
5.00%, due 8/1/16 Harrisburg, Capital Appreciation, Unlimited General Obligation Series F, Insured: AMBAC (zero coupon), due 9/15/21	60,000	58,943
5.125%, due 12/1/40 (a)(c) Pennsylvania State Turnpike Commission, Revenue Bonds Series D	19,025,000	21,516,491
5.25%, due 9/1/31 Philadelphia Authority Industrial Development, Please Touch Museum Project, Revenue Bonds	2,500,000	2,424,375

The notes to the financial statements are an integral part of,  
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## Portfolio of Investments

November 30, 2012 (Unaudited) (continued)

	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Pennsylvania 7.7% (5.5% of Managed Assets) (continued)</b>		
Philadelphia Hospitals and Higher Education Facilities Authority, Temple University Health System, Revenue Bonds Series A		
5.00%, due 7/1/34 Series A	\$ 2,000,000	\$ 2,066,880
5.625%, due 7/1/36 Series A	5,975,000	6,616,117
5.625%, due 7/1/42	10,120,000	11,138,882
		44,015,204
<b>Texas 10.9% (7.8% of Managed Assets)</b>		
Clifton Higher Education Finance Corp., Idea Public Schools, Revenue Bonds		
5.00%, due 8/15/42	4,750,000	5,144,678
Harris County Cultural Education Facilities Finance Corp., Baylor Medical College, Revenue Bonds		
5.00%, due 11/15/37	7,015,000	8,159,217
Harris County-Houston Sports Authority, Revenue Bonds Series B, Insured: NATL-RE		
(zero coupon), due 11/15/13 Series H, Insured: NATL-RE	250,000	237,755
(zero coupon), due 11/15/28 Series H, Insured: NATL-RE	50,000	21,067
(zero coupon), due 11/15/33 Series A, Insured: NATL-RE	200,000	61,846
(zero coupon), due 11/15/34 Series H, Insured: NATL-RE	280,000	89,177
(zero coupon), due 11/15/35 Series H, Insured: NATL-RE	200,000	53,398
(zero coupon), due 11/15/37 Series H, Insured: NATL-RE	200,000	47,344
(zero coupon), due 11/15/38 Series A, Insured: NATL-RE	125,000	27,801
(zero coupon), due 11/15/40 Series B, Insured: NATL-RE	865,000	182,065
5.25%, due 11/15/40 Houston Higher Education Finance Corp., Cosmos Foundation, Revenue Bonds Series A	515,000	515,036
5.00%, due 2/15/42 Love Field Airport Modernization Corp., Southwest Airlines Co. Project, Revenue Bonds	5,000,000	5,361,800
5.25%, due 11/1/40	6,000,000	6,542,880

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	Principal Amount	Value
<b>Texas 10.9% (7.8% of Managed Assets) (continued)</b>		
Newark Cultural Education Facilities Finance Corp., A. W. Brown-Fellowship Leadership Academy, Revenue Bonds		
Series A		
6.00%, due 8/15/32	\$ 1,130,000	\$ 1,197,868
Series A		
6.00%, due 8/15/42	3,640,000	3,836,633
North Texas Tollway Authority, First Tier, Revenue Bonds		
Series B		
5.25%, due 1/1/52	4,725,000	5,485,394
Texas Municipal Gas Acquisition & Supply Corp. III, Revenue Bonds		
5.00%, due 12/15/28	5,500,000	6,180,955
5.00%, due 12/15/29	11,500,000	12,861,945
Texas State Turnpike Authority, Central Texas System, Revenue Bonds		
Insured: AMBAC		
(zero coupon), due 8/15/35	23,750,000	6,209,912
		62,216,771
<b>U.S. Virgin Islands 3.3% (2.4% of Managed Assets)</b>		
Virgin Islands Public Finance Authority, Matching Fund Loan Notes		
Series A		
5.00%, due 10/1/27	3,000,000	3,421,200
Series A		
5.00%, due 10/1/32	13,750,000	15,471,500
		18,892,700
<b>Vermont 0.3% (0.2% of Managed Assets)</b>		
Vermont State Student Assistance Corp., Revenue Bonds		
Series A		
5.10%, due 6/15/32 (b)	1,600,000	1,700,656
<b>Virginia 9.6% (6.9% of Managed Assets)</b>		
Fairfax County Industrial Development Authority, Healthcare-Inova Health System, Revenue Bonds		
5.00%, due 5/15/40 (a)(c)	18,770,000	21,799,277
Norfolk Economic Development Authority, Health Care Facilities, Sentara Healthcare, Revenue Bonds		
Series B		
5.00%, due 11/1/43 (a)(c)	19,575,000	22,811,529
Tobacco Settlement Financing Corp., Revenue Bonds		
Series B1		
5.00%, due 6/1/47	13,380,000	10,693,162
		55,303,968

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	Principal Amount	Value
<b>Municipal Bonds (continued)</b>		
<b>Washington 3.9% (2.8% of Managed Assets)</b>		
Washington State Healthcare Facility Authority, Providence Health & Services, Revenue Bonds Series A 5.00%, due 10/1/42 (a)(c)		
	\$ 19,335,000	\$ 22,295,293
<b>West Virginia 0.3% (0.2% of Managed Assets)</b>		
Ohio County, Wheeling Jesuit, Revenue Bonds Series A 5.50%, due 6/1/36		
	1,665,000	1,669,196
<b>Wisconsin 0.9% (0.6% of Managed Assets)</b>		
Public Finance Authority, Airport Facilities, Revenue Bonds 5.00%, due 7/1/42 (b)		
	5,000,000	5,110,600
Total Investments (Cost \$747,829,722) (f)		
	137.8%	788,956,147
Floating Rate Note Obligations	(26.9)	(153,940,000)
Fixed Rate Municipal Term Preferred Shares, at Liquidation Value	(12.2)	(70,000,000)
Other Assets, Less Liabilities	1.3	7,641,939
Net Assets Applicable to Common Shares	100.0%	\$ 572,658,086

	Contracts Short	Unrealized Appreciation (Depreciation) (d)
<b>Futures Contracts 0.0%</b>		
United States Treasury Note March 2013 (10 Year) (e)		
	(750)	\$ (66,328)
Total Futures Contracts Short (Settlement Value \$100,230,469)		
		\$ (66,328)

Less than one-tenth of a percent.

- (a) All or portion of principal amount transferred to a Tender Option Bond ( TOB ) Issuer in exchange the Fund acquired TOB Residuals. (See Note 2 (I)).
- (b) Interest on these securities is subject to alternative minimum tax.
- (c) May be sold to institutional investors only under Rule 144A or securities offered pursuant to Section 4(2) of the Securities Act of 1933, as amended.
- (d) Represents the difference between the value of the contracts at the time they were opened and the value as of November 30, 2012.
- (e) As of November 30, 2012, cash in the amount of \$825,000 is on deposit with a broker for futures transactions.
- (f) As of November 30, 2012, cost is \$747,829,722 for federal income tax purposes and net unrealized appreciation is as follows:

Gross unrealized appreciation	\$ 41,329,490
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Gross unrealized depreciation (203,065)

Net unrealized appreciation \$ 41,126,425

Managed Assets is defined as the Fund's total assets, minus the sum of its accrued liabilities (other than Fund liabilities incurred for the purpose of creating effective leverage (i.e. tender option bonds) or Fund liabilities related to liquidation preference of any preferred shares issued).

The following abbreviations are used in the above portfolio:

ACA ACA Financial Guaranty Corp.

AGC-ICC Assured Guaranty Corporation Insured Custody Certificates

AGM Assured Guaranty Municipal Corp.

AMBAC Ambac Assurance Corp.

CIFG CIFG Group

FGIC Financial Guaranty Insurance Co.

FSA Financial Security Assurance, Inc.

GTY Assured Guaranty Corp.

NATL-RE National Public Finance Guarantee Corp.

RADIAN Radian Asset Assurance, Inc.

The notes to the financial statements are an integral part of, and should be read in conjunction with, the financial statements.

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## Portfolio of Investments

November 30, 2012 (Unaudited) (continued)

The following is a summary of the fair valuations according to the inputs used as of November 30, 2012, for valuing the Fund's assets and liabilities.

### Asset Valuation Inputs

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments in Securities (a)				
Municipal Bonds	\$	\$ 788,956,147	\$	\$ 788,956,147
Total Investments in Securities	\$	\$ 788,956,147	\$	\$ 788,956,147

### Liability Valuation Inputs

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other Financial Instruments				
Futures Contracts Short (b)	\$ (66,328)	\$	\$	\$ (66,328)
Total Other Financial Instruments	\$ (66,328)	\$	\$	\$ (66,328)

(a) For a complete listing of investments and their industries, see the Portfolio of Investments.

(b) The value listed for this security reflects unrealized appreciation (depreciation) as shown on the Portfolio of Investments. The Fund recognizes transfers between the levels as of the beginning of the period.

For the period ended November 30, 2012, the Fund did not have any transfers between Level 1 and Level 2 fair value measurements. (See Note 2)

As of November 30, 2012, the Fund did not hold any investments with significant unobservable inputs (Level 3). (See Note 2)

## Statement of Assets and Liabilities as of November 30, 2012 (Unaudited)

### Assets

Investment in securities, at value (identified cost \$747,829,722)	\$ 788,956,147
Cash	12,887,538
Cash collateral on deposit at broker	825,000
Receivables:	
Interest	10,323,995
Investment securities sold	3,025,183
Deferred offering costs (See Note 2 (N))	590,699
Other assets	123,097
 Total assets	 816,731,659

### Liabilities

Payable for Floating Rate Note Obligations	153,940,000
Fixed Rate Municipal Term Preferred Shares, at liquidation value, Series A (a)	35,000,000
Fixed Rate Municipal Term Preferred Shares, at liquidation value, Series B (a)	35,000,000
Payables:	
Investment securities purchased	18,538,935
Manager (See Note 3)	388,257
Variation margin on futures contracts	82,031
Shareholder communication	29,451
Professional fees	26,334
Transfer agent (See Note 3)	5,662
Custodian	5,120
Trustees	1,862
Offering costs payable (See Note 2 (N))	460,001
Interest expense and fees payable	504,543
Common share dividend payable	91,377
 Total liabilities	 244,073,573
 Net assets applicable to Common shares	 \$ 572,658,086
 Common shares outstanding	 27,528,329
 Net asset value per Common share (Net assets applicable to Common shares divided by Common shares outstanding)	 \$ 20.80

### Net assets applicable to Common Shares consist of

Common shares, \$0.001 par value per share, unlimited number of shares authorized	\$ 27,528
Additional paid-in capital	524,666,790
	524,694,318
Undistributed net investment income	2,654,263
Accumulated net realized gain (loss) on investments and futures transactions	4,249,408
Net unrealized appreciation (depreciation) on investments and futures contracts	41,060,097
 Net assets applicable to Common shares	 \$ 572,658,086

(a) \$0.01 par value, liquidation preference of \$100,000 per share (See Note 2 (J)).

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**Statement of Operations** for the period June 26, 2012 (inception date) through November 30, 2012 (Unaudited)

<b>Investment Income (Loss)</b>	
<b>Income</b>	
Interest	\$ 13,016,999
<b>Expenses</b>	
Manager (See Note 3)	1,708,952
Interest expense and fees	585,805
Professional fees	37,947
Shareholder communication	30,124
Transfer agent	14,389
Custodian	7,780
Trustees	5,876
Amortization of deferred offering costs (See Note 2 (N))	30,587
Miscellaneous	30,455
Total expenses	2,451,915
Net investment income (loss)	10,565,084
<b>Realized and Unrealized Gain (Loss) on Investments and Futures Contracts</b>	
Net realized gain (loss) on:	
Security transactions	4,733,627
Futures transactions	(484,219)
Net realized gain (loss) on investments and futures transactions	4,249,408
Net change in unrealized appreciation (depreciation) on:	
Investments	41,126,425