MainStay DefinedTerm Municipal Opportunities Fund
Form N-CSRS
February 06, 2014

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, 2013

FORM N-CSR

Item 1. Reports to Stockholders.

MainStay DefinedTerm Municipal Opportunities Fund

Message from the President and Semiannual Report

Unaudited | November 30, 2013 | NYSE Symbol **MMD**

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Message from the President

During the six months ended November 30, 2013, the municipal market was affected by a number of factors. For several months ending in April 2013, municipal bonds had been trading in a relatively fixed range and exhibited muted price volatility. That trend changed abruptly during May 2013, when stronger-than-anticipated economic data led the media to suggest a great rotation from bonds to equities. In light of continuing low interest rates, this theory suggested that investors with ample cash reserves would abandon bonds to pursue higher returns in the stock market.

After addressing the Joint Economic Committee of the U.S. Congress on May 22, Federal Reserve Chairman Ben Bernanke suggested in response to questions that the Federal Open Market Committee (FOMC) might begin tapering its extensive bond-purchase program, widely known as quantitative easing.

Interest rates responded by moving higher, and municipal bonds underperformed U.S. Treasury securities throughout the summer. In large measure, the underperformance was due to Detroit s Chapter 9 bankruptcy filing and Puerto Rico s fiscal crises. The weakness resulted in substantial outflows from municipal bond funds.

Meanwhile, the FOMC decided that economic conditions did not yet warrant tapering direct bond purchases. Instead, the FOMC specified the economic conditions under which a less accommodative policy might be warranted. Throughout the reporting period, no tapering materialized and the FOMC maintained the federal funds target rate in a range between zero and 0.25%.

During the reporting period, many municipal issuers came to market, seeking to take advantage of low interest rates. As supply and demand shifted, however, the municipal market remained quite challenging for issuers and investors alike.

Through all of these market developments, the portfolio managers of MainStay DefinedTerm Municipal Opportunities Fund focused on the Fund s investment objective and investment strategies. Using disciplined investment techniques, they sought to achieve results consistent with their mandate.

The following semiannual report contains more detailed information about the specific market events, securities and decisions that affected MainStay DefinedTerm Municipal Opportunities Fund during the six months ended November 30, 2013. Past performance is no guarantee of future results.

We thank you for choosing MainStay DefinedTerm Municipal Opportunities Fund, and we look forward to serving your financial needs over time.

Sincerely,

Stephen P. Fisher

President

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Semiannual Report

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 visit mainstayinvestments.com/mmd.

Total Returns	**Six Months**	**One Year**	**Since Inception 6/26/12**
NAV[1]	12.10%	12.28%	2.01%
Market Price[1]	15.71	20.45	11.49
Barclays Municipal Bond Index[2]	2.45	3.51	0.47
Average Lipper general & insured municipal debt fund (leveraged)[3]	7.58	9.53	2.03

Fund Statistics (as of November 30, 2013)

NYSE Symbol	MMD	Premium/Discount[4]	9.42%
CUSIP	56064K100	Total Net Assets (millions)	$ 468.1
Inception Date	6/26/12	Total Managed Assets (millions)[5]	$ 741.9
Market Price	$15.39	Leverage[6]	36.7%
NAV	$16.99	Percent of AMT Bonds[7]	7.43%

1. Total returns assume dividends and capital gains distributions are reinvested.
2. The Barclays Municipal Bond Index is an unmanaged index considered representative of the broad market for investment-grade, tax-exempt bonds with a maturity of at least one year. Bonds subject to the alternative minimum tax or with floating or zero coupons are excluded. An investment cannot be made directly in an index.
3. 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.
4. 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.
5. 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).
6. 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.
7. Alternative Minimum Tax (AMT) is a separate tax computation under the Internal Revenue Code that, in effect, eliminates many deductions and credits and creates a tax liability for an individual who would otherwise pay little or no tax.

Portfolio Composition as of November 30, 2013 (Unaudited)

California	19.1%
Illinois	10.7
Texas	8.1
Michigan	7.5
Florida	5.0
Virginia	4.5
New Jersey	4.1
Ohio	3.5
Pennsylvania	3.2
New York	2.8
Kansas	2.7
Nebraska	2.7
Washington	2.6
Maryland	2.5
Guam	2.2
Rhode Island	2.1
Tennessee	2.1
Louisiana	1.9
Nevada	1.7
U.S. Virgin Islands	1.6
Arizona	1.2%
Indiana	0.9
Colorado	0.7
Iowa	0.7
Alabama	0.6
Utah	0.6
Alaska	0.5
District of Columbia	0.5
Missouri	0.3
New Hampshire	0.3
Vermont	0.3
Hawaii	0.2
Georgia	0.1
Massachusetts	0.1
Wisconsin	0.1
West Virginia	0.1
Other Assets, Less Liabilities	2.2
	100.0%

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

Top Ten Holdings or Issuers Held as of November 30, 2013# (Unaudited)

1. Texas Municipal Gas Acquisition & Supply Corp. III, Revenue Bonds, 5.00%, due 12/15/29 12/15/32
2. University of California, Regents Medical Center, Revenue Bonds, 5.00%, due 5/15/43
3. Virginia Commonwealth Transportation Board, Capital Projects, Revenue Bonds, 5.00%, due 5/15/31
4. State of Illinois, Unlimited General Obligation, 5.25% 5.50%, due 7/1/31 7/1/38
5. Riverside County Transportation Commission, Limited Tax, Revenue Bonds, 5.25%, due 6/1/39
6. Chicago, Illinois Board of Education, Unlimited General Obligation, 5.50%, due 12/1/39
7. City of Sacramento, California, Water, Revenue Bonds, 5.00%, due 9/1/42
8. City of Orlando, Tourist Development Tax Revenue, 3rd Lien, 6th Cent Contract, Revenue Bonds, 5.50%, due 11/1/38
9. Central Plains Energy, Project No. 3, Revenue Bonds, 5.25%, due 9/1/37
10. Kansas Development Finance Authority, Adventist Health Sunbelt Obligated Group, Revenue Bonds, 5.00%, due 11/15/32

Credit Quality as of November 30, 2013 (Unaudited)

Ratings apply to the underlying portfolio of bonds held by the Fund and are rated by an independent rating agency, such as Standard & Poor s (S&P), Moody s Investors Service, Inc. and/or Fitch Ratings, Inc. If ratings are provided by the ratings agencies, but differ, the higher 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.

As a percentage of Managed Assets.
Some of these holdings have been transferred to a Tender Option Bond (TOB) Issuer in exchange for the TOB residuals and cash.

Portfolio Management Discussion and Analysis (Unaudited)

Questions answered by portfolio managers 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 relative to its benchmark and peers for the six months ended November 30, 2013?

For the six months ended November 30, 2013, MainStay DefinedTerm Municipal Opportunities Fund returned 12.10% at net asset value applicable to Common shares and 15.71% at market price. At net asset value and at market price, the Fund underperformed the 2.45% return of the Barclays Municipal Bond Index[1] and the 7.58% return of the average Lipper[2] general & insured municipal debt fund (leveraged) for the six months ended November 30, 2013.

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

The Fund was positioned with a longer-maturity, lower-investment-grade rating profile than the Barclays Municipal Bond Index. As municipal mutual fund outflows increased from June through August 2013, however, the municipal yield curve[3] steepened and credit spreads[4] widened. These conditions detracted from the Fund s performance relative to the Barclays Municipal Bond Index. On the upside, a lack of Puerto Rico bonds was a positive contributor to the Fund s performance relative to the Barclays Municipal Bond Index, as Puerto Rico was the worst-performing sector of the Index during the reporting period. (Contributions take weightings and total returns into account.)

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

The Fund s leverage percentage stayed within a specified range during the reporting period. As of November 30, 2013, the Fund s leverage was equal to 36.7% of the Fund s managed assets. However, the decline in municipal prices during the summer sell-off and the corresponding higher yields allowed the Fund to take advantage of a wider spread between long-term municipal bonds and short-term floater financing costs in its tender option bonds. These factors enabled the Fund to raise its dividend, to the benefit of the Common shareholders. While yields on most municipal bonds increased during the reporting period, the Fund s cost of borrowing on its leverage remained stable.

What was the Fund s duration[5] strategy during the reporting period?

As municipal rates increased substantially from June through August, we increased the Fund s duration to be longer than that of the Barclays Municipal Bond Index. As of November 30, 2013, the Fund had a duration of 9.68 years. As of the same date, the duration of the Barclays Municipal Bond Index was 5.39 years. We continue to use a position in U.S. Treasury futures to hedge some of the Fund s higher exposure in longer-maturity issues.

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

A combination of factors affected the municipal market during the reporting period. Among these were stronger economic data, which prompted speculation about a rotation from bonds to equities, and suggestions that the Federal Reserve might taper its bond purchases. Financial difficulties in Detroit and Puerto Rico also affected the market. Together, these forces drew money away from municipal mutual funds in 2013. As a closed-end fund, MainStay DefinedTerm Municipal Opportunities Fund was not directly subject to the industrywide outflows. Nevertheless, these redemptions caused municipal yields to move materially higher and drove bond prices lower. This rapid change in market sentiment created opportunities for the Fund to reposition itself in several ways. We focused on selling securities that had fallen in value, as we sought to realize losses that could offset current and future gains in the Fund. Because we reinvested at higher yields, the transactions allowed us to increase monthly tax-exempt dividend distributions to holders of Common shares. During periods of institutional market illiquidity, we targeted the strong appetite for individual bonds among retail investors to execute sales at prices we viewed as favorable relative to the market. We used the proceeds to buy bonds that became available as a result of industry outflows.

During the reporting period, which market segments were the strongest contributors to the Fund s performance and which market segments were particularly weak?

Relative to the Barclays Municipal Bond Index, the most significant positive contribution to the Fund s performance came from our decision to avoid bonds issued by the Commonwealth

1. See footnote on page 5 for more information on Barclays Municipal Bond Index.
2. See footnote on page 5 for more information on Lipper Inc.
3. The yield curve is a line that plots the yields of various securities of similar quality typically U.S. Treasury 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.
4. The term spread may refer to the difference in yield between a security or type of security and comparable U.S. Treasury issues. The term may also refer to the difference in yield between two specific securities or types of securities at a given time.
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.

of Puerto Rico. Puerto Rico bonds underperformed the general municipal market by more than 15 percentage points. The most significant detractors from the Fund s relative performance were yield-curve positioning and credit quality. Longer-maturity municipals underperformed municipal bonds with shorter maturities, and credit spreads widened during the reporting period.

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

As the Fund remained focused on diversification, no individual purchase or sale was considered significant.

How did the Fund s sector, industry or state weightings change during the reporting period?

There were no material changes to the Fund s sector weightings during the reporting period. Sectors that we continued to favor were marginally increased, including transportation and water/sewer bonds. During the reporting period, we took the oppor-

tunity to lower the Fund s exposure to the special tax and health care sectors. From a state perspective, we opportunistically increased the Fund s exposure to Illinois bonds after a sell-off during the summer pushed prices lower. We also reduced exposure to Ohio and Virginia bonds.

How was the Fund positioned at the end of the reporting period?

As of November 30, 2013, the Fund was overweight relative to the Barclays Municipal Bond Index in the special tax and health care sectors. From a quality perspective, we favored credits rated A and BBB,[6] though we increased the overall credit quality of the portfolio during the reporting period, including the percentage of AA[7] rated credits. As of November 30, 2013, the Fund s duration was longer than that of the Barclays Municipal Bond Index.

6. 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.
7. An obligation rated AA by S&P is deemed by S&P to differ from the highest-rated obligations only to a small degree. In the opinion of S&P, the obligor s capacity to meet its financial commitment on the obligation is very strong. 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.

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 is not intended as an endorsement of any specific investment.

Portfolio of Investments November 30, 2013 (Unaudited)

	Principal Amount	Value
Municipal Bonds 154.7%		
Alabama 0.9% (0.6% of Managed Assets)		
Birmingham Jefferson Civic Center Authority, Special Tax		
Series A, Insured: AMBAC		
4.125%, due 7/1/14	$ 250,000	$ 250,118
Jefferson County, Limited Obligation School, Revenue Bonds		
Series A, Insured: AMBAC		
4.75%, due 1/1/25	250,000	231,050
Jefferson County, Public Building Authority, Revenue Bonds		
Insured: AMBAC		
5.00%, due 4/1/26	4,500,000	3,702,240
		4,183,408
Alaska 0.8% (0.5% of Managed Assets)		
Northern Tobacco Securitization Corp., Tobacco Settlement, Asset-Backed, Revenue Bonds		
Series A		
5.00%, due 6/1/46	5,295,000	3,606,742
Arizona 1.8% (1.2% of Managed Assets)		
Phoenix Industrial Development Authority, Downtown Phoenix Student LLC, Revenue Bonds		
Series A, Insured: AMBAC		
4.50%, due 7/1/32	1,000,000	789,600
Series A, Insured: AMBAC		
4.50%, due 7/1/42	150,000	108,224
Phoenix Industrial Development Authority, Espiritu Community Development Corp., Revenue Bonds		
Series A		
6.25%, due 7/1/36	2,000,000	1,854,280
Pima County Industrial Development Authority, PLC Charter Schools Project, Revenue Bonds		
6.75%, due 4/1/36	1,075,000	998,503
Salt Verde Financial Corp., Senior Gas, Revenue Bonds		
5.00%, due 12/1/37	4,985,000	4,807,484
		8,558,091
California 30.2% (19.1% of Managed Assets)		
Big Pine Unified School District, Capital Appreciation, Unlimited General Obligation		
Insured: AGM		
(zero coupon), due 8/1/40	5,050,000	1,062,621

	Principal Amount	Value
California 30.2% (19.1% of Managed Assets) (continued)		
California County Tobacco Securitization Agency, Asset Backed, Revenue Bonds		
Series A		
5.125%, due 6/1/38	$ 3,060,000	$ 2,280,526
5.60%, due 6/1/36	2,575,000	1,998,689
California Municipal Finance Authority, Southwestern Law School, Revenue Bonds		
6.50%, due 11/1/41	2,165,000	2,394,555
Carson Redevelopment Agency, Redevelopment Project Area 1, Tax Allocation		
Series B, Insured: NATL-RE		
(zero coupon), due 10/1/25	75,000	39,568
Ceres Unified School District, Cabs-Election, Unlimited General Obligation		
Series A		
(zero coupon), due 8/1/43	6,375,000	856,991
	19,500,000	20,199,270

¨City of Sacramento, California, Water, Revenue Bonds 5.00%, due 9/1/42 (a)(b)		
Fontana Unified School District, Cabs Unlimited General Obligation		
Series C (zero coupon), due 8/1/34	14,000,000	4,345,740
Series C (zero coupon), due 8/1/40	10,000,000	2,071,700
Series C (zero coupon), due 8/1/41	19,700,000	3,816,481
Series C (zero coupon), due 8/1/42	18,600,000	3,377,016
Foothill-Eastern Transportation Corridor Agency, Revenue Bonds (zero coupon), due 1/15/31	5,000,000	1,611,800
Golden State Tobacco Securitization Corp., Asset Backed, Revenue Bonds		
Series A, Insured: AGC, FGIC 5.00%, due 6/1/35 (a)(b)	16,110,000	15,963,238
Series A-2 5.30%, due 6/1/37	5,000,000	3,679,700
Inglewood Public Financing Authority, Cabs-Lease, Revenue Bonds		
(zero coupon), due 8/1/30	2,530,000	760,138
(zero coupon), due 8/1/31	2,530,000	687,123
Lancaster Financing Authority, Subordinated Project No. 5 & 6, Redevelopment Projects, Tax Allocation Series B, Insured: NATL-RE 4.625%, due 2/1/24	215,000	198,817

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, 2013. 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.

Portfolio of Investments November 30, 2013 (Unaudited) (continued)

	Principal Amount	Value
Municipal Bonds (continued)		
California 30.2% (19.1% of Managed Assets) (continued)		
Marysville Joint Unified School District, Capital Project, Certificates of Participation		
Insured: AGM (zero coupon), due 6/1/25	$ 1,850,000	$ 982,331
Insured: AGM (zero coupon), due 6/1/27	2,445,000	1,126,411
Insured: AGM (zero coupon), due 6/1/33	2,800,000	843,780
Insured: AGM (zero coupon), due 6/1/34		