1290 DoubleLine Dynamic Allocation Fund

Market Overview

The fifteen-month winning streak in the S&P500® quickly came to an end in the first quarter of 2018. Prompted by fears of higher interest rates following the government's release of the January "Employment Situation" report, February saw the first monthly decline in the benchmark since October 2016. February's 3.69% decline was immediately followed by a 2.54% decline in March. The S&P500 closed the quarter down 0.76% from the end of 2017, and 7.72% off the all-time highs of late January 2018. At its intra-day low on February 9th, the S&P briefly entered "correction" territory having lost 10% of its peak value. These declines came despite strong corporate earnings. The fourth-quarter 2017 corporate earnings (reported during the first quarter) were unusually strong with earnings growth of 14.8% (the highest since 2011) on revenue growth of 8.2% (also the highest since 2011). These strong results do not include the benefit from the Tax Cuts and Jobs Act, which is expected to provide a step-up in earnings in 2018.

Commensurate with the sharp declines in equity prices, volatility reasserted itself in early February. As measured by the VIX Index (a standard measure of U.S. equity market volatility), equity market volatility had remained unusually low throughout 2017, reaching an all-time closing low of 9.14. Similarly, volatility began 2018 very muted, with a closing low of 9.15 in the first few days of 2018. A month later, the VIX Index had reached intra-day levels above 50, a level seen only during the Global Financial Crisis and briefly in August, 2015. The VIX closed out the quarter at 20.

Action in the fixed income markets mirrored the equity moves. The yield on the 10-year U.S. Treasury Note rose steadily during the quarter as a result of strong economic news, reaching four-year highs by mid-March before settling back to 2.74% at the end of the quarter. Short rates also rose sharply, due both to the strong marcro-economic outlook and the prospect of Fed rate increases. The net result is that the yield curve steepened in February following the strong January Employment Situation report, but then flattened back to January levels. Not surprisingly given the uptick in equity volatility, credit spreads widened slightly in the quarter but remained at relatively tight levels.

Fund Overview

The 1290 DoubleLine Dynamic Allocation Fund pursues its investment objective by investing, under normal circumstances, in a diversified range of securities, and other financial instruments, including derivatives, which provide investment exposure to equity and fixed income investments. In the first quarter of 2018 the Fund slightly outperformed its benchmark, a 60%/40% blend of the S&P 500 equity index and the Bloomberg Barclays U.S. Aggregate Bond Index. The Fund was under-allocated to equities during the quarter, relative to fixed income. During the first quarter, the Bloomberg Barclays U.S. Aggregate Bond Index declined by 1.46%, more than the 0.76% loss for the S&P 500.

Source for all figures above: DoubleLine Capital

1290 FUNDS

Spotlight on Holdings

The fixed income portion of the Fund contributed positively to relative returns during the quarter. This portion of the portfolio lost 0.50%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index. Two subsectors within the fixed income portfolio delivered positive returns during the quarter: bank loans and global bonds. Investment grade corporate bonds and high yield were the worst performing subsectors, followed by government bonds.

Turning to the Fund's equity investments, the systematic portion of the portfolio based on the Shiller Barclays CAPE® U.S. Sector Index outperformed the S&P500. Over the course of the quarter, the CAPE Index was exposed five sectors: Consumer Discretionary, Consumer Staples, Healthcare, Industrials and Technology. Technology and Industrials were the best performing sectors within the Index.

The active equity portion of the portfolio underperformed the S&P500 in the first quarter. Security selection hurt relative returns, particularly in financials, technology and energy. Sector allocation, especially an underweight position in real estate and utilities, contributed positively to relative returns.

An investor should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. To obtain a prospectus containing this and other information, please call 1-888-310-0416 or download the file from www.1290funds.com. Read the prospectus carefully before you invest.

1290 DoubleLine Dynamic Allocation Fund seeks to achieve total return from long-term capital appreciation and income. The Fund's allocations may change at any time. Performance may be affected by one or more of the following risks. Fixed income investments are subject to interest rate risk so that when interest rates rise, the prices of a fixed income security can decrease and the investor can lose principal value. Equity securities may be bought on stock exchanges or in the over-the-counter market. Equity securities generally include common stock, preferred stock, warrants, securities convertible into common stock, securities of other investment companies and securities of real estate investment trusts. In general, stocks and other equity security values fluctuate, and sometimes widely fluctuate, in response to changes in a company's financial conditions as well as general market, economic and political conditions and other factors. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors.

The Fund's Index is a blend of 60% S&P 500® Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index. The **S&P 500® Index** is an unmanaged index which contains 500 of the largest U.S. industrial, transportation, utility and financial companies deemed by Standard and Poor's to be representative of the larger capitalization portion of the U.S. stock market. **The Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index considered representative of the U.S. investment-grade fixed-rate bond market. Includes government and credit securities, agency mortgage pass through securities, asset-backed securities, and commercial-backed mortgage securities. Individuals cannot invest directly in an index.

The **Cboe Volatility Index®** (VIX® Index) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

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Past performance is no guarantee of future performance.

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(AXA000589) (exp. 9/30/18)