1290 DoubleLine Dynamic Allocation Fund

Market Overview

The S&P 500® briefly entered “bear market” territory during the month of December, intra-day trading 20% below its peak levels of September. During the same month the S&P 500® lost 9.03%, bringing the broad market index’s losses for the fourth quarter to 13.52%. For 2018, the S&P 500® recorded its first losing calendar year since the global financial crisis of 2008.

To an extent the S&P 500® was playing catch-up with the non-U.S. markets which had decoupled from the U.S. in May, likely on concerns about a U.S.-led trade war. The stock markets of many export-oriented nations such as China, Korea and Germany had entered bear markets in earlier months, commensurate with evidence of slowing in their economies.

Adding to trade concerns was tight monetary policy in the U.S., as the U.S. Federal Reserve (Fed) seemed on “auto pilot” both in its determination to raise short-term interest rates and in pursuing “Quantitative Tightening” by selling bonds at an annual pace of approximately $600 billion. As December drew to a close, senior Fed officials including Chairman Powell attempted to publicly dispel these fears of a monetary policy error nudging the economy into recession – an attempt that bore fruit in a sharp market recovery in the days after Christmas.

Earnings for corporate America are about to lap the boost from the tax cuts passed late in 2017. As 2018 ended, expectations (per FactSet) for the fourth quarter were for the companies of the S&P 500® to grow earnings and revenues by 11% and 6% year-over-year, respectively. While strong, these rates represent a deceleration from the 25% earnings growth rate of the first three quarters of 2018. As the new year began, expectations for the S&P 500® for 2019 stood at 7% and 6% for earnings and revenue growth, respectively.

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 fourth quarter of 2018 the 1290 DoubleLine Dynamic Asset Allocation Fund lost 7.31%, better than the 7.56% loss of a benchmark comprised of 60% S&P 500® large capitalization equity index and 40% Bloomberg Barclays Aggregate fixed income index. In the quarter, the S&P 500® lost 13.52% and the Bloomberg Barclays Aggregate gained 1.64%.

Source for all figures above: DoubleLine Capital

Fund Highlights

What helped performance during the quarter?

The conservative positioning of the Fund during the equity market turmoil of the fourth quarter is largely responsible for the Fund's outperformance. During the quarter, the Fund was underweight equities, relative to the 60% benchmark allocation.

While underperforming the Barclays Aggregate Index during the quarter, the fixed income portion of the Fund delivered positive absolute returns. The fixed income sectors with the strongest returns in the quarter were residential mortgage-backed securities, government bonds, and global bonds.

Within the active equity portion of the Fund security selection in the information technology, healthcare and consumer discretionary sectors made greatest positive contribution to returns relative to the S&P 500®.

What hurt performance during the quarter?

The systematic equity portion of the Fund based on the Shiller Barclays U.S. Sector Index (the CAPE Index) underperformed the S&P 500® during the quarter. Over the course of the fourth quarter, the CAPE Index was allocated to five sectors: communication services, consumer staples, healthcare, industrials and technology. With the S&P 500® losing over thirteen percent in the fourth quarter, all five of these sectors declined in value while constituents of the CAPE Index. Communication services and technology were the weakest performers.

The active equity portion of the Fund slightly trailed the S&P 500® in the quarter. The largest negative contributors were security selection in the energy and consumer staples sectors, along with the Fund's zero weight in utilities.

Within the fixed income portion of the Fund the sectors with the most negative returns were high yield, bank loans, and investment grade corporate bonds.

Source: DoubleLine Capital

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, the value of stocks and other securities 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.

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Past performance is no guarantee of future performance.

The Fund may not be successful in implementing its investment strategy or may not employ a successful investment strategy, and there can be no assurance that the Fund will grow to or maintain an economically viable size, which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Until the Fund is fully capitalized it may not be pursuing its investment objective or executing its principal investment strategies. Diversification does not eliminate the risk of experiencing investment losses.

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