Fund Commentary

4Q18

1290 Low Volatility Global Equity Fund

Market Overview

Global markets declined significantly in the fourth quarter of 2018 as investors were concerned about a long list of issues, including slowing growth, tightening global liquidity, Chinese–U.S. trade protectionism, corporate leverage and U.S. political gridlock. The Federal Reserve (Fed) raised the federal funds rate by 0.25 percentage points for the fourth time in 2018, putting the target range at 2.25% to 2.50%, and lowered its interest rate policy expectations for 2019 from four to three hikes. Although the yield curve briefly steepened in response to the Fed's meeting, driven by a fall in short-end yields, the quarter was still characterized by a strong flattening of the Treasury curve. The European Central Bank held rates steady, indicating it would do so at least through the summer of 2019, but also announced it would discontinue its bond buying program at the end of 2018. Uncertainty about Brexit and disruption from the new Italian government's fiscal spending plans weighed on Eurozone markets, while ongoing US/China trade and tariff disputes threatened to weaken China's economy.

In the U.S., market volatility spiked in the fourth quarter fueled by concerns about rising interest rates, trade issues and the specter of slowing global growth. The year's second major equity market sell-off began in October and continued through December as the S&P 500 Index ended the quarter with a drop of 13.52%, resulting in the Index's first negative annual total return (-4.38%) since the 2008 financial crisis, and ending a nine-year string of positive returns. The quarter's volatility began as a sharp decline in oil prices, coupled with disruptions from U.S./China trade tensions and the Federal Reserve's continued normalization of U.S. interest rate policy, spurred investors to pull back from riskier investments, including equities.

Small-cap companies fared worse than their large counterparts, and value stocks outperformed growth stocks. The energy sector declined most sharply, as oil prices fell amid concerns about rising supply. Technology and industrials also suffered significant losses in the quarter.

International equities declined during the quarter as concerns about global trade and slowing economic growth weighed on markets. In developed markets, European equities declined as trade tariffs, slower Chinese growth and Brexit created a difficult environment. Japanese equities fell due to a stronger yen as investors used the currency as a safe haven from global volatility. Though they fared better than their developed counterparts, emerging markets were not immune to volatility. In Asia, markets declined as ongoing trade/tariff disputes between the US and China threatened to weaken economies. Across the region, export-oriented markets of Taiwan, South Korea and China posted sharp declines. For emerging markets with large oil exports, such as Colombia and Russia, the sharp decline in oil prices was the largest headwind.

Fund Overview

The 1290 Low Volatility Global Equity Fund pursues its investment objective of seeking long-term capital appreciation while managing portfolio volatility by investing in exchange-traded funds (ETFs). The Fund invests at least 80% of its net assets, plus borrowing for investment purposes, in ETFs that in turn invest substantially all of their assets in equity securities that have lower absolute volatility than the broader markets in which the ETF invest. In the fourth quarter of 2018 the Fund outperformed the MSCI ACWI Index, and was in line with the MSCI ACWI Minimum Volatility after accounting for fees and expenses.

Source: FMG, LLC

Fund Highlights*

What helped performance during the quarter?

- Overweight to utilities contributed to performance relative to MSCI ACWI Minimum Volatility and MSCI ACWI Index. On a country basis, stock selection within developed equities contributed positively relative to both indices.
- Relative to MSCI ACWI Index, stock selection within domestic equities was the top contributor to positive performance. On a sector basis, stock selection within all 11 Global Industry Classification Standard (GICS) sectors added to performance.
- Relative to MSCI ACWI Minimum Volatility, underweight and stock selection within information technology helped performance for the quarter.

What hurt performance during the quarter?

- Stock selection within domestic equities was the largest detractor to performance relative to MSCI ACWI Minimum Volatility. On a sector basis, stock selection within materials and financials negatively impacted performance.
- Relative to MSCI ACWI Index, underweight to health care marginally detracted from performance.

- The Fund does not hold a position in any single security directly but has exposure through ETFs.

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 Low Volatility Global Equity Fund seeks long-term capital appreciation while managing portfolio volatility. Performance may be affected by one or more of the following risks. Investments in foreign securities, including depositary receipts, involve risks not associated with investing in U.S. securities. Foreign markets, particularly emerging markets, may be less liquid, more volatile and subject to less government supervision than domestic markets. Security values also may be negatively affected by changes in the exchange rates between the U.S. dollar and foreign currencies. Differences between U.S. and foreign legal, political and economic systems, regulatory regimes and market practices also may impact security values and it may take more time to clear and settle trades. Equity securities involve the risk that the value of the securities may fluctuate, sometimes widely fluctuate, in response to changes in a company's financial condition as well as general market, economic and political conditions and other factors. The Fund will be subject to the risks associated with the securities and other investments in which the Underlying ETF invest and the ability of the Fund to meet its investment objective will directly depend on the ability of the Underlying ETFs to meet their investment objective. An index-based ETF's performance may not match that of the index it seeks to track. An actively managed ETF's performance will reflect its adviser's ability to make investment decisions that are suited to achieving the ETF's investment objective. In addition, the use of volatility management techniques by the Underlying ETF may limit the Fund's participation in market gains, particularly during periods when market values are increasing, but market volatility is high. The underlying ETFs may be unsuccessful in maintaining a portfolio of investments that minimize volatility.

The Morgan Stanley Capital International (MSCI) ACWI Minimum Volatility (Net) Index aims to reflect the performance characteristics of a minimum variance strategy applied to large and mid cap equities across 23 developed markets and 23 emerging markets countries. The index is calculated by optimizing the MSCI ACWI Index, its parent index, in USD for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI ACWI Index. **Morgan Stanley Capital International (MSCI) ACWI (Net) Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 developed markets and 23 emerging markets. The index covers approximately 85% of the global investment opportunities. You cannot invest directly in an index.

Past performance is no guarantee of future performance.

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