1290 Low Volatility Global Equity Fund

Market Overview

The second quarter of 2019 brought largely negative news on the U.S./China trade front, a corresponding dovish shift from central banks, and middling economic data. Equities, credit and bonds rallied in response to these mixed signals, but each market reflects different interpretations of the outlook. In the second quarter we also saw the first bout of sustained U.S. dollar weakness in some time, apparently a reflection of both U.S. Federal Reserve dovishness and a narrowing growth differential between the U.S. and the rest of the world. Although the Fed kept its benchmark interest rate on hold, officials signaled that further signs of an economic slowdown could spur the bank to begin cutting interest rates.

Also contributing to volatility were pressures in the Strait of Hormuz, which remains at risk of becoming a military flashpoint between Iran and the West. Oil prices had slumped steeply as friction escalated between the U.S. and China, but rebounded with growing tension in the Persian Gulf.

The U.S./China trade dispute widened existing cracks in the global economy and abruptly reversed the risk rally that had buoyed the bond markets since the start of the year. The 10-year US Treasury yield fell over the quarter to 2.01%, its lowest level since late 2016. The 10-year German bund yield fell to its lowest-ever recorded level, amid a raft of European benchmarks also recording all-time lows. In Japan, the 10-year government bond yield fell, while the 10-year UK gilt yield fell, as well. The amount of negative-yielding debt in the world surged in June to a record of over US$13 trillion. Having increased by nearly a quarter over the three months, that left some 24% of the Bloomberg Barclays Global Aggregate Bond Index with a negative yield at the end of June.

Though the S&P 500 Index posted a gain of 4.30% for the second quarter, the U.S. stock market experienced increased volatility. U.S. stocks outperformed their developed market peers, driven by strength in the technology sector. Stocks rallied at the end of June ahead of the G20 summit, at which the U.S. agreed to suspend additional tariffs on Chinese goods and China shared plans to buy certain U.S. farm products. After four consecutive months of rising prices, stocks sold off in May, with the S&P 500 falling 6.35%. Equity markets recovered in June as the S&P 500 returned 7.05%, its best June performance since 1955. U.S. large and mid-cap stocks outperformed small-cap stocks and growth outperformed value for the quarter.

Within international equities, the MSCI World Index and the MSCI Emerging Markets Index rose modestly. The Japanese equity market, which remains one of the worst performers year to date, suffered over the second quarter, hampered by strength in the Japanese yen. Conversely, European equities delivered solid returns despite the euro's strength, as financial services companies posted strong gains. Australian equities were a striking outperformer over the month, as lower government bond yields made the dividend yield of Australian stocks particularly attractive, and the Australian dollar weakened.

Despite turbulence in May, emerging-market stocks rose modestly in the quarter thanks to a sharp rebound in June. Fluctuating sentiment around the U.S.-China trade settlement and the odds of lower U.S. interest rates drove markets for the period. Financials and utilities stocks fared best, while healthcare stocks lagged. Easing monetary policy also buoyed stock markets. During the quarter, India, Malaysia, the Philippines and Russia all lowered rates, while China's central bank took steps to encourage more bank lending.

Source: FMG, LLC

Fund Overview

The 1290 Low Volatility Global Equity Fund pursues its investment objective to seek 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 invests. In the first quarter of 2019 the Fund underperformed the MSCI ACWI (Net) Index, and outperformed the MSCI ACWI Minimum Volatility (net) Index, after accounting for fees and expenses.

Fund Highlights*

What helped performance during the quarter?

- An overweight in real estate contributed to performance relative to MSCI ACWI Minimum Volatility and MSCI ACWI Indices.
- Stock selection within consumer discretionary and materials helped performance for the quarter versus the MSCI ACWI Minimum Volatility Index.
- Relative to the MSCI ACWI Index, an underweight position and stock selection within health care was the top contributor to positive performance.

What hurt performance during the quarter?

- Low-volatility strategies underperformed market-capitalization weighted indices for the period. On a sector basis, relative to the MSCI ACWI Index, an underweighting in information technology, along with specific stocks held, were the top detractors to performance. Stock selection within communication services, consumer staples, and industrials also hurt performance.
- An underweight position in domestic equities and an overweight position in developed non-U.S. and emerging markets hurt performance relative to MSCI ACWI Minimum Volatility Index. On a sector basis, an underweight position in information technology and an overweight position in financials hurt 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 U.S. 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 involving foreign securities. 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 ETFs 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 objectives. 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 may limit the Underlying ETFs, and in turn, 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. 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. You cannot invest directly in an index.

Past performance is no guarantee of future performance.

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