

Market Overview

The tug of war between politics and fundamentals continued in the third quarter of 2018. The U.S. Federal Reserve raised the federal funds rate for the third time in 2018, to 2.25%, while confirming that another rate hike will occur in December. The U.S. economy continued to feel the effect of tax cuts, as Gross Domestic Product (GDP) for 2Q18 was finalized at an annualized rate of 4.2% and preliminary 3Q18 forecasts looked to continue that trend. Despite that rosy picture, the U.S. yield curve appeared to be approaching an inversion (when short-term interest rates are higher than long-term rates), typically a recessionary leading indicator.

Overall, commodities added to their year-to-date gains with modest positive returns during the quarter. Higher oil, natural gas and gasoline prices brought gains, despite continued losses in metals. In major currency moves, the U.S. dollar strengthened against the emerging markets currencies.

Fund Overview

The 1290 Multi-Alternative Strategies Fund pursues its investment objective of seeking long-term growth of capital by investing in exchange-traded funds comprising various non-traditional or alternative asset categories and strategies.

Fund Highlights*

What helped performance during the quarter?

- Merger Arbitrage strategy was the largest contributor to performance mainly attributable to the approval of Express Script (0.0%*) and Cigna (0.0%*) merger.
- Managed Futures strategy contributed to performance driven by short positions in precious metals and long positions in energy.
- Convertible securities continued to add to performance.

What hurt performance during the quarter?

- Precious and Base metals were the largest detractors to performance as it continued to be hurt by trade tensions as well as the US dollar strengthening.
- Currency strategy negatively impacted performance due to long position in the Australian dollar, which depreciated during the period.
- The value tilt within the long/short strategy negatively impacted performance as growth continued to outperform value.

Source: FMG, LLC

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

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1290 Multi-Alternative Strategies Fund seeks long-term growth of capital. 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 value and it may take more time to clear and settle trades. The Fund is also subject to the risks associated with the securities or other investments in which the Underlying ETF invest, and the ability of the Fund to meet its objective will directly depend on the ability of the Underlying ETFs to meet their investment objective. Alternative investments may use a different approach to investing than do traditional investments (such as equity or fixed income investments) and the performance of alternative investments is not expected to correlate closely with more traditional investments; however, it is possible that alternative investments will decline in value along with equity or fixed income markets, or both, or that they may not otherwise perform as expected. Alternative investments may have different characteristics and risks than do traditional investments, can be highly volatile, may be less liquid, particularly in periods of stress, and may be more complex and less transparent than traditional investments. Alternative investments also may have more complicated tax considerations than traditional investments. The use of alternative investments may not achieve the desired effect.

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.

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