1290 Retirement Funds

How the Markets Performed

In the fourth quarter, the S&P 500® Index again marked new highs and ended the period with a strong gain as investor optimism soared in response to newly passed tax reform that lowered the corporate tax rate. Third quarter U.S. gross domestic product rose by a healthy 3.2% and unemployment extended its multi-year decline, reaching a 17-year low. Given signs of economic improvement, the Federal Reserve raised the federal funds rate in December, the third increase of 2017. Energy commodities produced strong returns amid a rally in crude oil prices, as OPEC (the Organization of the Petroleum Exporting Countries) announced it will extend production cuts through the end of 2018.

After trailing developed markets for most of 2017, U.S. equities outperformed in the fourth quarter, posting gains across market capitalizations and investment styles. In the U.S., large-cap stocks led small- and mid-cap stocks, while growth stocks continued to outperform value stocks. All sectors of the S&P 500 Index posted positive returns, led by consumer discretionary and information technology.

International equity markets delivered a positive return, with emerging markets extending their lead over developed markets.

Fixed income indexes posted mixed results for the fourth quarter. Interest rates were the primary headwind, but non-government sectors performed well. Within the fixed income segment, the U.S. corporate credit sector was a notable outperformer, as lower rated investment grade securities continued to outperform higher rated credits and comparable-maturity Treasuries.

The Allocations Drive Performance

Each Fund's performance will reflect the performance of the underlying asset classes and depend upon their percentage weighting within the Fund. Here's why:

The 1290 Retirement Funds are managed to target a specific year of planned retirement. The Asset mix will become more conservative each year, until about 10 years after the target retirement year, when it will become relatively stable. The Funds balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term retirement withdrawal horizon.

To achieve its exposures, the Fund invests in ETFs representing various equity and bond asset classes. So the Funds' performance will be a function of the asset class performance and the percentage weighting of each in the Funds. Current target and actual allocations, as well as performance, are available in an accompanying quarterly Fund Fact Sheet.

What helped the Funds during the quarter?

All of the holdings contributed positively to returns in the third quarter.

- All major U.S. equity indexes showed positive performance in the fourth quarter, with large caps outperforming mid and small caps. Growth stocks beat out value stocks for the quarter as it had all year.
- While all global equities exhibited strong performance, emerging markets was the strongest among all assets classes.

What hurt the Funds during the quarter?

- From a relative standpoint, bonds were a drag on performance in the fourth quarter. Treasury inflation protected securities was the strongest performer among fixed income, while short-term bond was the weakest performer.
- Low volatility strategies continued to underperform traditional market-capitalization weighted indices, as equity volatility remained subdued in the fourth quarter of 2017 and traditional indices posted robust returns.

* 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 Funds 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.

The 1290 Retirement Funds seek the highest total return over time consistent with their asset mix while managing portfolio volatility. Total return includes capital growth and income. 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. 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. Fixed income investments are subject to interest rate risk so that when interest rates rise, the prices of fixed income securities can decrease and the investor can lose principal value. To the extent a Fund invests in Underlying ETFs, the Fund will be subject to the risks associated with the securities and other investments in which the Underlying ETF invests 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. 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. Diversification does not eliminate the risk of experiencing investment losses.

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. Individuals cannot invest directly in an index. An investment in the fund will not ensure that an investor will have assets sufficient to cover retirement expenses or that an investor will have enough saved to be able to retire in, or within a few years of, the target year identified in the Fund's name.

Past performance is no guarantee of future performance. The Fund has a limited performance history.

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