1290 Retirement Funds

How the Markets Performed

Following a weak first quarter, during the second quarter o f 2018 U.S. equity markets gained momentum, supported by robust corporate earnings, low unemployment, and increases in spending, inventory investment, and exports. With trade war tensions weighing on many larger firms, U.S. small cap stocks were the largest advancers, benefiting from recent tax cuts and shielded from many of the recently imposed tariffs. Even as volatility increased with continuing trade disputes and rising interest rates, U.S. stocks climbed overall, with energy, consumer discretionary, and information technology stocks posting the largest advances and industrials, financials, consumer staples, and tele-communication posting overall declines. Growth stocks generally out-performed value stocks in large-cap tiers, though small- and mid-cap value stocks held the advantage over their growth counterparts.

International equity markets were mostly negative over the course of the second quarter, with investors worrying about tariffs between the U.S. and its trade partners. Economic growth continues across Europe due to low unemployment, though concerns about potentially disruptive policies in Italy and tensions over immigration within the German coalition and the EU took a toll.

Global bond markets experienced volatility in the second quarter as interest rates rose and emerging market debt struggled. The U.S. dollar appreciated as the shift higher in short-term rates led to a continued flattening of the yield curve. The U.S. 10-year yield accelerated early in the quarter then reversed its trend to end just 12 basis points (1 basis point = 1/100 of 1%) higher at 2.86%. Elsewhere, yields were mixed with German yields falling amid political challenges in Italy and other European countries.

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 exchange traded funds (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.

Funds Highlights*

What helped the Funds' performance during the quarter?

- U.S. small-cap ETF was the strongest performers for during the second quarter.
- The U.S. mid- and large-cap ETFs also had positive, but not as strong returns.

What hurt the Funds' performance during the quarter?

- Emerging market equities, which were the strongest contributors in the first quarter, suffered significant losses in the second quarter as currencies depreciated against the U.S. dollar.
- Developed international stocks also suffered losses, though not as significant as emerging.
- Low volatility strategies underperformed relative to market cap weighted indices.

Source: FMG, LLC
* 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. 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. 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. Diversification does not eliminate the risk of experiencing investment losses. The underlying ETFs may be unsuccessful in maintaining a portfolio of investments that minimize volatility.

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.

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