1290 Retirement Funds

Fund commentary 2Q20

Market overview

U.S. and global equity markets recovered sharply in the second quarter, although most broad-based equity indexes (with the notable exception of the U.S. large-cap growth sector) remained down year-to-date through June 30, 2020. Bonds also produced positive returns, as investors continued to seek safe havens amid uncertainty. The quarter opened with a recovery of financial markets through May. Global equities mostly gained, credit spreads tightened, and oil prices staged a comeback. This recovery was driven by a variety of factors. On the corona virus front, regions such as the U.K. as well as certain U.S. states had begun to relax social distancing restrictions, and there was optimism over testing advancements for a vaccine. In addition, the E.U. and Japan both announced new fiscal stimulus plans and the ECB, Bank of England, and the U.S. Federal Reserve Bank all kept their asset purchasing programs unchanged. Nonetheless, by June it was apparent the corona virus had brought unprecedented declines in employment, GDP, and consumer demand across the globe, along with a resurgence of cases where social distancing polices were relaxed. As a result, the market recovery tapered off at the end of the quarter, nearly across the board.

Fund overview

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.

Fund highlights

What helped performance during the quarter?

- In the second quarter generally, being overweight equities was the top contributor to performance, as markets bounced back from their March lows. The 2040 target-date fund saw less impact from this trend.
- The Retirement Funds' fixed-income holdings outperformed their respective benchmarks due to an active exposure to Treasury Inflation-Protected Securities (TIPS).

What hurt performance during the quarter?

- While low-volatility holdings have not helped performance during this quarterly period, on a longer-term basis low-volatility as an asset class has been beneficial, providing a smoother ride with similar performance. Since inception, the 1290 Retirement Funds have performed in-line with their benchmarks, on a risk-adjusted basis and after a margin for fees and expenses, while risk was reduced—significantly so for target dates beyond 2025.
- Nonetheless, low-volatility domestic mid-cap equities were the biggest detractors for the three-month period.
- The top detractor of relative performance was the significant underweight to technology in low-volatility universes, as it was the best-performing sector, up about 47% from its market low in March.
- Within most of the Funds, having no exposure to high-yield bonds detracted from performance as it was the best-performing asset category within the asset class. Only the Funds with 2020 and 2025 target dates gained a boost from high-yield bond holdings.

Source: Equitable Investment Management Group, LLC

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

For more information, call **(888) 310-0416** or visit **1290funds.com.**

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 from1290funds.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 in addition to those 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, and it may take more time to clear and settle trades involving foreign securities, which could negatively impact the Fund's investments and cause it to lose money. 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, as well as trade barriers and other protectionist trade policies (including those of the U.S.) governmental instability, or other political or economic actions, also may adversely impact security value. Equity securities involve the risk that the value of the stocks and other equity securities may fluctuate, and 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 credit risk and interest rate risk. The fund is subject to the risk that the issuer or guarantor of a fixed income security, or the counterparty to the transaction, is unable or unwilling, or is perceived as unable or unwilling, to make timely interest or principal payments, or otherwise honor its obligations, which may cause the Fund's holding to lose value. In addition, changes in interest rates may affect the yield, liquidity and value of investments in income producing or debt securities. When interest rates rise, the value of the Fund's debt securities generally decline. Conversely, when interest rates decline the value of the Fund's debt securities generally rises. 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 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. 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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