



# 1290 SmartBeta Equity Fund

Fund commentary 2Q20

## Market overview

Global markets rebounded in the second quarter of 2020— after the widespread sell-offs in February and March – as they benefited, in particular, from the huge amounts of monetary and fiscal stimulus unleashed to help cushion economies from the devastating effects of the coronavirus. The support fueled optimism about a global economic recovery as countries emerged from lockdowns and restarted their economies. However, persistent concerns about the pandemic, as infections continued to increase worldwide, caused bouts of unease. Geopolitical tensions, particularly between the U.S. and China, added to these concerns. Oil prices rose strongly – after large declines in the first quarter and in early April – as economies reopened and as major producers reduced supply. Technology stocks led global markets higher, with pro-cyclical sectors like consumer discretionary and materials also rising strongly. Perceived defensive sectors such as utilities and consumer staples lagged the benchmark over the quarter. From a factor perspective, value and low volatility were firmly out of favor as investors sought growth.

## Fund overview

The 1290 SmartBeta Equity Fund pursues its investment objective to seek to achieve long-term capital appreciation by investing at least 80% of its net assets, plus borrowings for investment purposes, in equity securities. The Fund rose strongly in absolute terms but underperformed The MSCI World (Net) Index, its benchmark. In a risk-on environment, the performance achieved was in line with expectations given the Fund's defensive approach.

## Fund highlights

### What helped performance during the quarter?

- Having a lower-than-benchmark allocation to the energy sector helped relative performance, specifically not owning Royal Dutch Shell (0.00%\*) and BP (0.00%\*), whose shares slumped over the quarter. Avoidance of underperforming banking stocks also contributed positively in relative terms, particularly HSBC (0.17%\*), Wells Fargo (0.00%\*) and JP Morgan Chase (0.08%\*).
- The Fund benefited from overweights to online retailer eBay (0.28%\*) and electronic payments firm PayPal (0.25%\*), both of which are expected to have been beneficiaries of increased volumes of online transactions during the COVID lockdown.

### What hurt performance during the quarter?

- As in prior quarters, the Fund's diversification away from the largest stocks in the index detracted from relative returns, given mega caps' ongoing outperformance.
- This was particularly evident in technology and consumer-technology related areas of the market. Underweight exposure to stocks such as Amazon (0.61%\*), Facebook (0.58%\*), Apple (1.93%\*) and Microsoft (2.26%\*) weighed heavily on performance.
- The risk-on environment proved to be a headwind to the Fund's exposure to lower beta stocks, and the lower-than-benchmark exposure to growth and momentum also proved detrimental in a strong up market.

Source for all figures above: AXA Rosenberg Investment Management LLC.

\* % of total market value of fund holdings as of June 30, 2020. Subject to change. Current and future fund holdings are subject to risk.

For more information, call (888) 310-0416 or visit [1290funds.com](http://1290funds.com).

**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 (888) 310-0416 or download the file from [1290funds.com](http://1290funds.com). Read the prospectus carefully before you invest.**

1290 SmartBeta Equity Fund seeks long-term capital appreciation. Performance may be affected by one or more of the following risks. In general, the values of stocks and other equity securities 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. Foreign markets, particularly emerging markets, may be less liquid, more volatile and subject to less government supervision and regulation 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.

The **MSCI World (Net) Index** is a broad global equity benchmark that represents large- and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market

capitalization in each country, and MSCI World benchmark does not offer exposure to emerging markets. Individuals cannot invest directly in an index.

**Past performance is no guarantee of future performance.**

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