



1290 SmartBeta Equity Fund

Fund commentary 3Q20

Market overview

Global equities moved higher in the third quarter of 2020, thanks to solid gains in July and August, which were underpinned by monetary and fiscal policy support worldwide and as countries eased coronavirus curbs. Optimism about a coronavirus vaccine supported the increases. However, stocks reversed course in September. U.S. technology shares sold off because of concerns about high valuations, while a rise in coronavirus infections, particularly in Europe, appeared to imperil a global economic recovery. U.S.-China tensions continued to simmer, which also limited the gains in equities. Market sentiment was largely risk-on over the quarter as investors favored cyclical sectors, with technology and consumer discretionary leading returns until wavering in September when uncertainty returned. From a factor perspective, value continued to underperform the broad market while momentum was strongly rewarded.

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 slightly underperformed the MSCI World (Net) Index, its benchmark, before fees and expenses. Performance was weaker at the beginning of the period when markets were bullish, before recovering in September thanks to the shift to a risk-off environment.

Fund highlights

What helped performance during the quarter?

- The Fund's focus on companies with higher quality earnings provided a slight boost overall as positions in high quality names such as UPS (0.41%*) and Nike (0.44%*) helped drive returns.
- The Fund's lower-than-benchmark allocation to the energy sector helped relative performance as oil and gas companies continued to face headwinds. Oil prices were relatively stable over the quarter but concerns about increases in global coronavirus case numbers, which threatened demand, kept the gains in check. A nil weight in Exxon Mobil (0.00%*) featured among the top stock contributors to performance.

What hurt performance during the quarter?

- Despite providing protection at the end of the period when market volatility spiked, overall the strategy's avoidance of stocks exhibiting high volatility such as Tesla (0.00%*) and Nvidia (0.00%*) held back returns this quarter.
- The Fund's diversification away from the largest stocks in the index contributes to a below-benchmark weight in mega-cap tech names such as Apple (2.90 %*) and Amazon (1.30%*). Given the reversal in the performance of the technology sector toward the end of the period, this mega-tech underweight was less of a drag on performance compared to previous quarters. Nonetheless, underweights to Apple and Amazon were key detractors from performance at a stock level.

For more information, call (888) 310-0416 or visit 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. 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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