1290 Unconstrained Bond Managers Fund

Market Overview

(provided by PIMCO)

Geopolitical events including key elections in France and Britain, as well as political controversy in both the United States and Brazil, contributed to brief periods of market volatility during the second quarter of 2017. Still, robust risk appetite continued, largely underpinned by a solid fundamental backdrop.

- Despite geopolitical uncertainty, volatility remained relatively low for the most part, equities rallied and credit spreads tightened. Emerging market assets broadly continued to strengthen despite falling oil prices (stemming from supply dynamics) and another Federal Reserve (Fed) rate hike.

- Financial conditions in the U.S. eased even as the Fed raised rates and unveiled details of its plan to gradually reduce its balance sheet. The Fed's actions contributed to a flattening in the U.S. yield curve.

- On the back of falling oil prices, soft inflation data and waning prospects for fiscal stimulus, inflation expectations dropped to pre-U.S. election levels. Longer-term U.S. yields also fell on the quarter.

- Emmanuel Macron's presidential victory in France, in addition to the non-populist outcome of the Dutch election earlier this year, tempered risks related to more nationalist, anti-EU outcomes in the eurozone. Still, upcoming elections in Italy and Germany underscored political event risks that remained on the horizon.

- Global central bankers struck a less accommodative tone: rhetoric from the ECB, Bank of England, and Bank of Canada highlighted positive economic outlooks and suggested the potential for a reduction in easy monetary policy. In turn, most Discount Margin (DM) yields rose higher even as those in the U.S. (outside the front-end) fell.

Fund Overview

The 1290 Unconstrained Bond Managers Fund pursues its investment objective by investing, under normal circumstances, at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of U.S. and foreign bonds or other debt securities of varying maturities and other instruments that provide investment exposure to such debt securities. There are two sleeves to this fund, one managed by TCW and the other by PIMCO. TCW employs a highly flexible approach that allocates investments across a range of global investment opportunities related to credit, interest rates and currencies. Additionally, TCW is expected to implement multiple strategies simultaneously to dampen correlation and, in particular, downside risks of the broader securities markets. PIMCO employs an absolute return-oriented bond strategy that takes a flexible approach to capturing global opportunities and managing risk. PIMCO strives to actively mitigate downside risk, provide attractive risk-adjusted returns and preserve the diversification benefits of a traditional fixed income portfolio.

Spotlight on Holdings

PIMCO

What helped performance during the quarter?

- Select holdings of non-Agency mortgage-backed securities (MBS)
- U.S. interest rate strategies
- An allocation to corporate credit (specifically, investment grade (with ratings above BBB- or Baa) and high yield financials)

What hurt performance during the quarter?

- Exposure to U.S. Treasury Inflation-Protected Securities (TIPS)
- Positioning in European interest rates

TCW

What helped performance during the quarter?

- Returns were driven by the allocation to MBS as the asset class benefitted from considerable price appreciation given strong investor demand and solid fundamentals, led by alt-A and option ARM collateral types
- Exposure to corporate credit, including the modest allocation to high yield, which was supported by robust sponsorship and generally strong first quarter corporate earnings. Among corporates, the allocations to consumer non-cyclicals, communications, and banking contributed the most.
- Government guaranteed student loan asset-backed securities (ABS) were an additional boost to returns, while more modest contributions came from commercial MBS issues.

What hurt performance during the quarter?

- Treasury yields shorter than 3-Years rising, the duration (a measure of a bond's sensitivity to interest rates) position resulted in a modest headwind to performance.

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 1-888-310-0416 or download the file from www.1290funds.com. Read the prospectus carefully before you invest.

1290 Unconstrained Bond Fund seeks to achieve maximum current income and total return over a full market cycle through opportunistic sector allocation. Performance may be affected by one or more of the following risks. Because the Sub-Advisers employ an unconstrained investment strategy and have great flexibility in selecting investments, the Fund may have significant exposure to certain types of securities and instruments, credit qualities, maturities, countries, and regions that are not represented in a similar manner or in similar weightings as that of other broad market domestic or foreign fixed income indexes. This flexibility may expose the Fund to significantly greater risk than other fixed income funds that are managed against a specific benchmark index, because the success of the Sub-Advisers' portfolio selections is dependent upon a greater number of variables. Foreign investing involves special risks such as currency fluctuations and political uncertainty.

An investor should note that investing in lower-rated debt, non-investment grade securities (commonly referred to as "junk bonds") are speculative in nature and are subject to additional risks such as an increased possibility of default, illiquidity of the security, and changes in value based on changes in interest rates. When investing in the Fund, you are subject, but not limited to, the same interest rate, inflation and credit risks associated with the underlying bonds owned by the Fund.

Past performance is no guarantee of future performance.

The Fund may not be successful in implementing its investment strategy or may not employ a successful investment strategy, and there can be no assurance that the Fund will grow to or maintain an economically viable size, which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Until the Fund is fully capitalized it may not be pursuing its investment objective or executing its principal investment strategies. Diversification does not eliminate the risk of experiencing investment losses.

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