1290 Unconstrained Bond Managers Fund

Market Overview

(provided by PIMCO)

Despite a slew of geopolitical headlines, risk assets remained well supported by synchronized global growth and optimism about fiscal stimulus. Most developed market central banks indicated a shift toward reduced accommodation, contributing to flatter yield curves.

- Geopolitics continued to capture headlines – from elections in the U.S., Europe and Japan to China's 19th Party Congress to turmoil in the Middle East – but markets were broadly resilient.
- Anticipation for – and passage of – fiscal stimulus in the U.S. as well as an uptick in growth momentum contributed to tighter credit spreads and allowed U.S. equities to finish the year out strong. The S&P 500® Index delivered positive returns every month of 2017, a first since the inception of the total return index. Volatility remained low and emerging market assets broadly strengthened, finishing a strong year of performance on the back of healthier fundamentals, a weaker dollar, and rising oil prices.
- Yield curves in developed markets flattened as developed market central banks shifted toward diminished policy support. Over the quarter, the Federal Reserve raised rates for the third time in 2017, the European Central Bank announced a reduction in monthly asset purchases for 2018, and the Bank of England raised rates for the first time since 2007.
- The fundamental backdrop remained largely intact with data showing acceleration in growth trends in the U.S., Europe, and Japan. Despite strong growth, underpinned by improving business investment, consumer confidence, and labor market strength, inflation remained subdued.
- European growth indicators were solid but political risks remained, highlighted by the Catalonian independence referendum, and a lack of progress in forming a coalition government in Germany.

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 positions in non-Agency mortgage-backed securities (MBS)
- An allocation to corporate credit, specifically, investment grade (a level of credit rating for stocks regarded as carrying a minimal risk to investors) and high yield financials
- Tactical holdings of Treasury Inflation-Protected Securities (TIPS)

What hurt performance during the quarter?

- U.S. interest rate strategies
- Defensive duration (a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates, expressed as a number of years) positioning in the U.K. and Eurozone
- Within currencies, a long dollar position against a basket of Asian currencies, and exposure to select high-carry emerging market currencies

TCW

What helped performance during the quarter?

- Allocations across corporate credit and securitized products drove outperformance, particularly non-agency MBS as the sector continued to benefit from solid fundamentals in the form of faster prepayments and rising home values.
- Among corporates, returns were led by banking, electric utilities, and consumer non-cyclical credits, while the allocation to energy provided an additional tailwind to performance given the remediation of commodity prices.
- Small contributions were also seen from the modest exposure to emerging markets debt, which benefited from continued inflows against a backdrop of positive global growth and low inflation.

What hurt performance during the quarter?

- As short and intermediate rates edged higher, with the 2- and 10-Year Treasury yields up by approximately 40 and 7 basis points (1 basis point is equal to 1/100 of 1%), respectively, the duration position of approximately 1.7 years weighed on returns.

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. Diversification does not eliminate the risk of experiencing investment losses.

S&P 500® Index is an unmanaged index which contains 500 of the largest U.S. industrial, transportation, utility and financial companies deemed by Standard and Poor's to be representative of the larger capitalization portion of the U.S. stock market. Individuals cannot invest directly in an index.

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.

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