

## Market Overview

The pessimism that seemed so pervasive in the fourth quarter of 2018 completely dissipated as equity and credit markets ushered in the first quarter of 2019 with a “risk-on” rally. The primary driver appeared to be a suddenly chastened U.S. Federal Reserve (Fed) whose most recent commentary was decidedly dovish. Meanwhile, progress on the U.S.-China trade talks and stabilization of the Chinese stock market and economy (in no small part due to government stimulus) further bolstered the bullish sentiment. During the first quarter, equity markets, as represented by the Russell 2000® and the S&P 500®, recorded double digit gains, effectively recovering the bulk of the losses suffered in the prior quarter. Credit, as measured by the ICE BofAML High Yield Index, also appreciated strongly as the reduced odds of further interest rate hikes drove yield-hungry investors back into fixed income.

Convertibles, as measured by the ICE BofAML All US Convertibles Index (the “Convertibles Index”) also benefited from the strength of equities and credit, as the Convertibles Index registered a 10.26% gain during the quarter. This was the best quarterly performance for the Convertibles Index since the third quarter of 2009 when markets rebounded from the 2008 Financial Crisis. From a sector perspective, the strongest sectors during the first quarter of 2019 were the weakest during the fourth quarter of 2018; and vice versa. This is further evidence of the complete reversal of sentiment – even on a sector level, what was once to be avoided at all costs during the fourth quarter was most coveted during the first quarter. The underlying equities of the Convertibles Index rallied 17.07% during the quarter, outperforming both the S&P 500® and the Russell 2000® and likely attributable to the higher weighting of technology in the Convertibles Index. As an imperfect proxy for example, the Nasdaq Composite Index gained 16.81% during the period, a return more closely aligned to that of convertibles’ underlying equities.

Growth convertibles outperformed Value convertibles during the quarter. This was not a surprise given the outperformance of the technology sector and the relative underperformance of defensive sectors such as consumer staples and financials. Large-cap and mid-cap convertibles outperformed small-cap convertibles, reinforcing our long-held view that small-cap convertibles frequently fail to outperform during periods of market strength.

During the quarter, convertible new issuance totaled 24 issues raising \$11.9 billion. Included in this total were three convertibles with issue sizes greater than \$1 billion from Danaher Corp (0.36%\*), Fortive Corp (1.83%\*), and iQIYI Inc (0.0%\*). We continue to have an optimistic view of the convertible primary market, especially given the continued strength of equities and the relatively low level of interest rates.

## Fund Overview

The 1290 Convertible Securities Fund pursues its investment objective to seek a high level of total return by investing at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of convertible securities.

Source: Palisade Capital Management

\* % of total market value of the Fund’s portfolio holdings as of 3/31/19. Subject to change.

The Fund posted strong absolute and relative returns in the first quarter as the extreme pessimism that gripped the market in late 2018 dissipated, resulting in a strong rebound in equity, credit, and interest rate markets. Some of the drivers of weakness in 2018 performance became drivers of strength in the quarter. In particular, holdings in technology (semiconductors) and energy, which trailed in performance last year, were strong contributors in the quarter. Overall, the Fund's positioning in the growth-oriented technology and healthcare sectors provided the biggest boost to performance. An underweight positioning in financials, which lagged as interest rates retreated, also contributed to the quarter's strong performance.

Despite a recent slowdown in growth, our outlook for the convertible market generally remains positive. Low inflation, low unemployment, stable credit markets, and an accommodative Fed stance should provide a supportive environment for both economic growth and convertible valuations. While we believe the economic backdrop remains positive, we believe the markets could need some time to consolidate recent performance. Our positive outlook is tempered by expectations of moderating growth and potential volatility from still unresolved macroeconomic issues, such as China trade and Brexit (the U.K.'s decision to leave the EU). As such, we are taking steps to consolidate the portfolio towards higher conviction ideas and to increase the portfolio bias towards larger, more stable and stronger credit issuers. We believe this will better position the portfolio to mitigate potential downside risks in the near-term.

## Fund Highlights

### What helped performance during the quarter?

- The Fund benefitted from an overweight to technology, the best performing convertible sector for the quarter.
- Strong security selection in the technology sector was a significant contributor to results for the quarter, driven by double-digit returns from Novellus Systems, Inc. 2.625% (1.56%\*), our two Micron positions: 3.0% (0.00%\*) & 2.125% (0.76%\*).
- The Fund also outperformed in the healthcare sector, where our position in Exact Sciences Corporation 1.0% (1.73%\*), our second largest position in the sector, handily outperformed the Index sector return.
- An underweight to the underperforming financials sector also bolstered results and outperformance in the sector, led by a strong return from LendingTree, Inc. 0.625% (0.80%\*), further added value.
- Elsewhere, an underweight to the weak consumer staples sector and good security selection in consumer discretionary and energy, led by double-digit returns from Mercadolibre, Inc. 2.0% (0.51%\*) and Nabors Industries Ltd 6% (0.37%\*), respectively, enhanced results.

### What hurt performance during the quarter?

- The Fund's minimal cash exposure was a detractor during this strong market run.
- Underperformance in transportation was attributable to our position in Echo Global Logistics, Inc 2.5% (0.85%\*), which could not keep pace with the Index return.
- An overweight to the underperforming building & construction industry within Industrials also held back results.

\* % of total market value of the Fund's portfolio holdings as of 3/31/19. Subject to change.  
Current and future Fund holdings are subject to risk.

**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](http://www.1290funds.com). Read the prospectus carefully before you invest.**

1290 Convertible Securities Fund seeks to achieve a high level of total return. Performance may be affected by one or more of the following risks. The value of convertible securities fluctuates in relation to changes in interest rates and the credit quality of the issuer and, in addition, fluctuates in relation to the underlying common stock. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument, which may be different than the current market price of the security. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into underlying common stock or sell it to a third party. Convertible securities are subject to equity risk, interest rate risk and credit risk and are often lower quality securities. Lower quality may lead to greater volatility in the price of a security and may negatively affect a security's liquidity. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer-specific risks that apply to the underlying common stock.

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

**ICE BofAML All U.S. Convertibles Index** (the "Index") consists of U.S. dollar denominated investment grade and non-investment grade convertible securities sold into the U.S. market and publicly traded in the United States. The Index constituents are market value weighted based on the convertible securities prices and outstanding shares, and the underlying index is rebalanced daily. Individuals cannot invest directly in an index.

**ICE BofAML U.S. High Yield Index** tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. It is capitalization-weighted.

**Nasdaq Composite Index** is the market capitalization-weighted index of over 3,300 common equities listed on the Nasdaq stock exchange.

**Russell 2000® Index** is an unmanaged index which measures the performance of approximately 2000 of the smallest companies in the Russell 3000® Index, which represents approximately 10% of the total market capitalization of the Russell 3000® Index. It is market-capitalization weighted.

**S&P 500® Index** is an unmanaged weighted index of common stocks of 500 of the largest U.S. companies, deemed by Standard & Poor's to be representative of the larger capitalization portion of the United States stock market.

1290 Funds is part of the family of mutual funds advised by AXA Equitable Funds Management Group, LLC (FMG, LLC), doing business in this instance as 1290 Asset Managers. FMG, LLC is a wholly owned subsidiary of AXA Equitable Life Insurance Company (AXA Equitable), NY, NY. AXA Distributors, LLC is the wholesale distributor of the 1290 Funds. AXA Advisors, LLC (member FINRA, SIPC) offers the 1290 Funds to retail investors.

1290 Funds® is a registered service mark of AXA Equitable Life Insurance Company, New York 10104.

The Fund is distributed by ALPS Distributors, Inc., which is not affiliated with FMG, LLC, AXA Equitable, AXA Distributors, AXA Advisors or the subadviser.

ALPS, a DST Company, 1290 Broadway, Suite 1100, Denver, CO 80203.

© 2019 AXA Equitable Life Insurance Company. All rights reserved.

1290 Avenue of the Americas, New York, NY 10104

Mutual Funds: Are Not a Deposit of Any Bank • Are Not FDIC Insured • Are Not Insured by Any Federal Government Agency • Are Not Guaranteed by Any Bank or Savings Association • May Go Down in Value

AXA Equitable Life Insurance Company (NY, NY)

(AXA000783) (exp. 9/30/19)