1290 Convertible Securities Fund

Market Overview

Bullishness permeated markets during the fourth quarter, driven by dovish central bank policy, resilient consumer spending and low unemployment in the U.S., and apparent agreement on a "Phase-One" trade truce with China. Given this backdrop, equity investors sent the S&P 500® and Russell 2000® Indices meaningfully higher by 9.07% and 9.94%, respectively. Not even an unflattering ISM Index (indicating some weakness in the industrial sector) nor an impeachment soap opera could derail markets. More interesting was the 10-year Treasury yield rising by 24 basis points (bps)(1 basis point = 1/100 of 1%) during the quarter without a coincident compression of multiples. Recall that the drop in yields earlier in 2019 had been credited as causing multiple expansion and the market rally. Credit, as measured by the ICE BofA High Yield Master II Index, also generated positive returns during the quarter although the magnitude of gains could not keep up with equities. Unlike equities, the returns of credit may have, at least partially, been held back by the rise in bond yields.

For the quarter, convertibles, as measured by the ICE BofA U.S. Convertibles Index (the "Convertibles Index"), returned 7.38% attributable to a 12.96% gain in underlying equities. The equities of convertible issuers, on average, outperformed both the S&P 500® Index and the Russell 2000® Index. This result is likely due to the over-representation of healthcare and technology companies within the convertibles universe when compared to equity indices and the outperformance of those sectors during the fourth quarter. For all of 2019, the Convertibles Index moved 23.15% higher on a 33.09% rise in the underlying equities. This 70% approximate participating rate is in-line with what would be expected from the convertibles asset class during bullish periods.

During the quarter, growth convertibles bested value convertibles handily during the quarter as the healthcare and technology sectors rallied. As our research has shown, growth convertibles consistently outperform value convertibles. With growth convertibles beating value convertibles again during 2019, this marks the 22nd consecutive annual period that this has occurred. Also consistent with our research, small cap convertibles lagged both large cap and mid cap convertibles during 2019. Given their lack of upside outperformance, we tend to underweight small cap convertibles, especially given their weaker performance and lower liquidity during periods of market stress.

Twenty convertible new issues raised $8.5 billion during the fourth quarter. For the year, 114 new convertibles issues raised $57.4 billion of proceeds, representing an 8.7% year- over-year increase in terms of proceeds raised.

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

1290 FUNDS℠

The Fund finished the year on a strong note as the U.S. and China took positive steps towards resolution of trade tensions. Equity and credit, the primary drivers of convertible performance, had their best quarter since the sharp rebound at the start of the year, and finished at or near record highs. After a relatively poor performance the prior quarter, growth convertibles bounced back strongly, posting its largest quarterly outperformance over value convertibles since the third quarter of 2018. In particular, the growth-oriented healthcare and technology sectors, which were the two largest exposures for the Fund, were two of the best performing sectors and helped drive much of the Fund's strong performance in the quarter.

The current economic backdrop appears to trend positive, with an improving growth outlook backed by an accommodative Fed rate policy. We are not inclined to fight the Fed and remain cautiously optimistic on our market outlook. While progress on a potential trade agreement with China has been positive, there have been too many false starts to relieve us of all caution, especially since the market seems to have already discounted some of the positive headlines. Valuation multiples for equities have expanded and do not provide as much support now as they did when we started the year. Add in Brexit uncertainty, geopolitical tensions, and the U.S. presidential election, and we believe performance could be more volatile in the coming year. In this environment, we believe the balanced structure of convertibles should allow it to perform well compared to other risk assets. Our strategy remains as before, which is to focus on growth convertibles with the greatest long-term appreciation potential while trying to leverage the structural advantage of convertibles to provide asymmetric returns, especially when market conditions could turn out to be more volatile than anticipated.

Fund Highlights

What helped performance during the quarter?

- Strong security selection in the Information Technology sector was the largest contributor to results for the quarter driven by double-digit returns from Advanced Micro Devices, Inc. 2.125% (1.50%*) and Lumentum Holdings, Inc. 0.250% (1.44%*).
- The Fund was well served by its overweight exposure to the healthcare sector, the second best performing sector in the index for the period. Holdings within the sector were able to keep pace with the strong index return, led by a stellar return from the position in Wright Medical Group Nv 2.250% (0.40%*).
- Underweights to the underperforming telecommunications, utilities, and financials sectors, the three worst performing sectors in the index for the period, also added value.
- Outperformance in the telecommunications sector was attributable to not owning the poorly performing Intelsat S.A. 4.500% security (0.00%*).

What hurt performance during the quarter?

- An underweight to the consumer discretionary sector, the best performing sector in the index for the period, was a headwind for the Fund during the quarter. The Fund unable to keep pace with the strong index return in the sector, hindered by a lack of exposure to the automakers industry, where the three Tesla positions (0.00%*) all posted strong double-digit returns.
- The Fund was also held back by an overweight to and underperformance in the transportation sector, where a muted return from Echo Global Logistics, Inc 2.500% (0.78%*) weighed on results.
- Underperformance in the energy sector was attributable to a disappointing return from Seacor Holdings Inc. 3.250% (0.53%*). Elsewhere, an overweight to the relatively weak building and construction industry within industrials also hampered results.

* % of total market value of the Fund's portfolio holdings as of 12/31/19. 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. 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 less 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, which could result in a loss to the Fund. 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.

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.

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.

ISM Index is a monthly composite index, released by the Institute for Supply Management, that is based on surveys of 300 purchasing managers throughout the United States in 20 industries in the manufacturing area

Individuals cannot invest directly in an index.

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, 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 Palisade Capital Management, LLC, the Fund's subadviser.

ALPS Distributors, Inc., 1290 Broadway, Suite 1100, Denver, CO 80203.

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)

(AXA000858) (exp. 6/30/20)