

## Market Overview

The consensus expectation of ‘more of the same’ for the fourth quarter’s economic data points proved prescient. Employment gains persisted. Manufacturing activity remained elevated, and upward momentum in private investment (construction, inventory and capital goods) was resilient. More importantly, trends in personal consumption data points suggested that the fourth quarter’s overall growth would, once again, be above trend. All of which, when taken as a body of evidence, was more than sufficient to empower the Federal Reserve to close 2017 with its third rate increase of the year.

During the fourth quarter of 2017, U.S. High Yield underperformed U.S. Equities (S&P 500® +6.64%) and U.S. Investment Grade Corporates (+1.12%) but outperformed U.S. Treasuries (+0.11%). Performance was driven by CCC-and-lower rated credits (+0.73%), which outperformed B-rated credits (+0.37%) and BB-rated credits (+0.35%). From a sector perspective, 13 of 18 industry sectors posted positive returns in the quarter. The best performing sectors were utilities (+2.33%), energy (+2.00%), and banking (+1.40%). The worst performing sectors were telecommunications (-2.18%), Consumer (-0.99%), and Media (-0.83%). The High Yield Index’s Option Adjusted Spread was 363 basis points (1 basis point is a unit that is equal to 1/100th of 1%) at the end of December, a 7 basis point increase from 356 basis points at the beginning of the quarter. The High Yield Index’s yield-to-worst (the rate of return generated assuming a bond is redeemed by the issuer on the least desirable date for the investor) ended the quarter at 5.84%, compared to 5.47% at the start of the quarter. The High Yield Index’s average price was \$100.59 at quarter end, \$1.20 lower than the \$101.79 average price at the start of the quarter.

## Fund Overview

The 1290 High Yield Bond Fund pursues its investment object by investing, under normal circumstances, at least 80% of its net assets, plus borrowings for investment purposes, in a broad range of high-yield, below investment grade bonds (a level of credit rating for stocks regarded as carrying a minimal risk to investors). During the fourth quarter of 2017 the 1290 High Yield Bond Fund outperformed its benchmark, the ICE BofA Merrill Lynch U.S. High Yield Index. The Fund’s relative outperformance was primarily driven by positive security selection, particularly within the highest yielding portion of the market. Also, the Fund’s macro positioning had a positive impact on relative performance led by the underweight to better quality, more interest rate sensitive securities which underperformed. Fund performance benefitted from participation in multiple new issues during the period which performed well post pricing. These positive effects were partially offset by negative security selection within the better quality, lower yielding segments of the market during the period.

Source for all figures stated above: BofA Merrill Lynch

From a sector perspective, the Fund's relative outperformance was driven by positive security selection. The Fund experienced positive security selection within a number of sectors including healthcare, telecommunications and technology, and electronics. These positive effects were partially offset by negative security selection within the banking sector. Also, the Fund's underweight positioning within the outperforming basic industry and banking sectors detracted from relative performance.

## Fund Highlights

### What helped performance during the quarter?

The top contributors to return for the quarter were debt positions in Windstream (0.41%\*), Ellucian (1.06%\*), and Pactera (BCP)(0.40%\*). Windstream is a fixed telecommunication service provider in the US. Windstream bonds were a top contributor due to the company completing multiple liability management exercises during the quarter, which had the net effect of extending the overall maturity profile of the company. Ellucian (Ensemble) provides technology solutions and related services to higher education institutions. Ellucian's bonds were a top contributor to return as the company reported solid earnings results for the most recent quarter. Pactera (BCP) is an IT consulting and outsourcing company. Pactera bonds were a top contributor to return during the quarter due to the company announcing its intention to call this bond.

### What hurt performance during the quarter?

The bottom contributors to return for the quarter were debt positions in Sprint (1.48%\*), Intelsat (0.25%\*), and Altice (0.62%\*). Sprint is the fourth largest wireless telecommunications provider in the US. Sprint's bonds were negatively impacted during the quarter as a much anticipated merger negotiation between Sprint and T-Mobile U.S., the third largest wireless operator, was officially called off as respective controlling shareholders could not agree on merger terms. Intelsat is one of the largest global commercial satellite operators. Intelsat's bonds were a bottom contributor to return due to concerns regarding 2018 trends for both Intelsat and the industry more broadly. Altice Luxembourg is a holding company which owns telecom and cable operations in France, Portugal, the Dominican Republic and other geographies. The Altice Luxembourg bonds were negatively impacted by a modestly worse than expected quarterly earnings report from the company's French operations, and management commentary regarding continued earnings challenges in the near term.

% of total market value of fund holdings as of 12/31/17. Subject to change.  
Current and future Fund holdings are subject to risk.

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**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 High Yield Bond Fund seeks to maximize current income. Performance may be affected by one or more of the following risks. The investor should note that investing in lower-rated, non-investment grade debt securities (commonly referred to as "junk bonds") involves 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 to, 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.**

CCC-rated bonds are non-investment grade (high yield) bonds which are considered extremely speculative. B-rated bonds are considered highly speculative, and BB-rated bonds are considered speculative. For the credit quality ratings shown above, the rating is determined from the highest available credit rating from any Nationally Recognized Statistical Rating Organization (S&P, Moody's and Fitch). Credit quality is measured on a scale that ranges from AAA (highest) to D (lowest). Credit quality does not remove market risk and is subject to change.

**Standard & Poor's 500 Composite Stock Index** (referred to herein as "Standard & Poor's 500 Index" or "S&P 500 Index") is a weighted index of common stocks of 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The index is capitalization weighted, thereby giving greater weight to companies with the largest market capitalizations.

**ICE BofA Merrill Lynch U.S. High Yield Index** (aka BofA Merrill Lynch High Yield Master II 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 a below investment grade rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$100 million. Individuals cannot invest directly in an index.

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AXA Equitable Life Insurance Company (NY, NY)

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