1290 High Yield Bond Fund

Market Overview

Statistically speaking, a full understanding of how the U.S. economy fared in the first quarter is an open question, as some of the economic data has yet to be revealed. That said, there is enough of the economic snapshot developing that suggests that economic activity in the first quarter of 2019 was softer than that witnessed at year-end 2018. Whether this slower growth is the result of record cold weather covering most of the nation for an extended period, the repercussions from portions of the federal government being shut down or concerns emanating from the uncertainty over the U.S./China trade talks is an ongoing debate. Nevertheless, when the most widely followed economic statistics such as employment, consumption, business investment and trade are considered in their entirety, it is difficult to doubt the consensus expectation that the quarter's growth rate was indeed markedly reduced from that of last year.

During the first quarter of 2019, the ICE BoAML U.S. High Yield Index (the Fund's benchmark) posted a total return of +7.40% in the quarter ended March 31, 2019, rebounding from a -4.67% return in the fourth quarter of 2018. U.S. High Yield underperformed U.S. Equities (S&P 500® +13.65%) but outperformed U.S. Investment Grade Corporates (+5.01%) and U.S. Treasuries (+2.17%). Performance was fairly consistent across the ratings spectrum, with CCC-and-lower rated credits +7.90%, BB-rated credits +7.38%, and B-rated credits +7.27%. All industry sectors posted positive returns in the quarter. On a relative basis, the best performing sectors were energy (+8.42%), retail (+8.27%), and financial services (+8.03%). The worst performing sectors were transportation (+3.20%), automotive (+5.45%), and telecommunications (+5.87%). The High Yield Index's Option Adjusted Spread was 405 basis points (1 basis point = 1/100th of 1%) at the end of March, a 128 basis point decrease from 533 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 6.48%, compared to 7.95% at the start of the quarter. The High Yield Index's average price was $97.69 at quarter end, $5.38 higher than the $92.31 average price at the start of the quarter.

Fund Overview

The 1290 High Yield Bond Fund pursues its investment objective to seek to maximize current income, 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 (investment grade bond securities are regarded as carrying minimal risk to investors). During the first quarter of 2019 the 1290 High Yield Bond Fund produced a positive total return but underperformed its benchmark. The Fund captured a large percentage of the U.S. High Yield market's strong positive return during the first quarter of 2019 after outperforming the market during the fourth quarter of 2018 when the US high yield market posted a negative total return. The portfolio's relative underperformance during the first quarter of 2019 was driven by negative security selection, particularly within securities of mid-tier credit quality.

Source for all figures stated above: BofA Merrill Lynch

Fund Overview (continued)

This negative effect was partially offset by positive security selection within higher yielding securities. The Fund's underweight within the long duration portion of the market detracted from relative performance as this segment outperformed during the period. Fund performance benefitted from participating in several attractively priced new issues which performed well. The Fund's cash positionhad a negative impact on relative performance during the quarter.

From a sector perspective, the Fund experienced negative security selection within the technology, retail and telecommunications sectors during the first quarter of 2019. These negative effects were partially offset by positive security selection within the services sector.

Fund Highlights

What helped performance during the quarter?

The top contributors to return for the quarter were debt positions in Staples Inc. (0.72%*), Multi-Color (0.56%*) and Rackspace 0.62%*). Staples Inc. is the largest distributor of office products and other professional categories in the business-to-business market in North America. Staples bonds outperformed during the quarter mainly due to the company's announcement that this bond would be called at a make whole premium price as mentioned previously. Multi-Color is one of the largest label producers in the world with a focus on food, beverage and consumer product end markets. The Multi-Color 4.875% due 2025 bonds were a top performer due to news that the company is being acquired which will result in the redemption of this bond. Rackspace is a provider of managed IT solutions including managed dedicated server and private cloud hosting, public cloud, managed public cloud services, and managed IT applications. Rackspace was a top contributor due to the company reporting solid earnings for its most recent quarter and disclosing that the company repurchased some of its bonds. Also, management provided a constructive outlook for the business going forward.

What hurt performance during the quarter?

The bottom contributors to return for the quarter were debt positions in Digicel (0.62%*), Pactera (0.31%*) and American Midstream Partners (0.74%*). Digicel is an emerging market telecommunications company, with operations primarily in the Caribbean region. Digicel unsecured bonds were a bottom performer due to disappointing earnings, lowered guidance and the issuance of secured bonds, which replenished the company's liquidity but also primed the unsecured bonds in the capital structure. Pactera is a China-based company that provides IT consulting and outsourcing services to customers worldwide. Pactera was a bottom contributor to return despite no company specific news. Pactera has reported solid earnings results in recent quarters. American Midstream Partners is a provider of liquids and gas midstream services in the offshore Gulf of Mexico and onshore U.S. Gulf Coast producing regions. American Midstream Partners bonds underperformed during the first quarter due to the company's rating being downgraded by Moody's as a result of higher than expected leverage.

* % of total market value of fund 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. 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") are speculative in nature and involve 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 BoAML U.S. 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 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.

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(AXA00788) (exp. 9/30/19)