1290 High Yield Bond Fund

Market Overview

During the second quarter of 2019 economic activity clearly decelerated from that reported in the first quarter. Whether the main impetus for this was the uncertainty created by the ongoing trade dispute between the U.S. and China, unfavorable weather patterns across the country, or a follow-on effect from a general slowing in global activity is an open question, as all factored in in some fashion. Slowing manufacturing activity and business investment most assuredly resulted from the trade dispute and slower overall global growth. While construction activity, agriculture and consumer spending were most definitely influenced by the weather. On the other hand, and despite all else, consumer and small business confidence remained at elevated levels, perhaps reflecting continued strong employment metrics and a general lack of inflationary pressures.

During the second quarter of 2019, U.S. High Yield underperformed U.S. Investment Grade Corporates (+4.35%), U.S. Equities (S&P500® Index +4.30%), and U.S. Treasuries (+3.04%). Within U.S. High Yield, higher quality BB rated credits (+3.16%) outperformed single B rated credits (+2.42%) and CCC-and-lower rated credits (+0.65%). 17 of the 18 industry sectors posted positive returns in the quarter. The best performing sectors were Insurance (+5.01%), Retail (+4.55%), and Transportation (+4.29%). The worst performing sectors were Energy (-0.84%), Leisure (+1.52%), and Healthcare (+1.80%). The High Yield Index's Option Adjusted Spread was 407 basis points (1 basis point = 1/100th of 1%) at the end of June, a 2 basis point increase from 405 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 6.06%, compared to 6.48% at the start of the quarter. The High Yield Index's average price was $98.91 at quarter end, $1.22 higher than the $97.69 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 second quarter of 2019 the 1290 High Yield Bond fund produced a positive total return but underperformed its benchmark, the ICE BofA Merrill Lynch US High Yield Index on a gross basis. The Fund suffered from poor macro positioning. An overweight in shorter duration securities, which results in a lower duration for the portfolio relative to the market, was a major driver of underperformance. An underweight to higher quality, longer duration securities also had a negative impact on relative performance, as these securities outperformed. To a lesser extent, the Fund also experienced negative security selection during the period. The Fund's cash holdings resulted in a drag on performance. The strong performance of new issues had a positive impact on relative performance during the period.

Source for all figures stated above: AXA Investment Manager, BofA Merrill Lynch

Fund Overview (continued)

From a sector perspective, an overweight position and negative security selection within the healthcare sector were significant contributors to the underperformance during the quarter. Multiple headlines regarding potential changes to the current U.S. healthcare system put pressure on several of the Fund's holdings in the managed care and physician staffing industries. The Fund also experienced negative security selection in the telecommunications, services and basic industry sectors. Fund performance benefitted from positive security selection and an underweight position within the underperforming energy sector.

Fund Highlights

What helped performance during the quarter?

The top contributors to the Fund's return for the quarter were debt positions in McGraw-Hill (0.49%*), American Midstream (0.77%*) and Sprint (1.60%*). McGraw-Hill is a provider of educational content including textbooks and digital classroom learning solutions. McGraw-Hill bonds rallied in the second quarter following the announcement of the company's planned merger with its competitor Cengage. American Midstream operates natural gas and oil midstream assets located primarily in the US Gulf Coast region. The company's bonds performed well during the period as the company reported solid first quarter earnings. Sprint is the fourth largest wireless communications operator in the United States. The Sprint 8.75% bond (0.55%*) due 2032 was a top performer during the quarter as the U.S. Federal Government's FCC agency publicly indicated that it would approve the pending credit enhancing merger with T-Mobile US, and due to news reports that increasingly indicated the head of the Antitrust Bureau at the U.S. Government's Department of Justice would also likely approve the merger with conditions.

What hurt performance during the quarter?

The bottom contributors to the Fund's return for the quarter were debt positions in Exela Technologies (0.67%*), Envision Healthcare (0.29%*), and MultiPlan (0.57%*). Exela Technologies is a provider of business process outsourcing and automation. Exela bonds performed poorly in the second quarter due to the company reporting weaker than expected earnings for the first quarter and a subsequent Moody's rating downgrade to Caa1. Envision Healthcare (Enterprise Merger Sub) is an outsourced physician services provider which also owns ambulatory surgery centers. MultiPlan (Polaris Intermediate Corp) is an independent preferred provider organization that helps healthcare insurers manage out-of-network charges and prevent fraud, waste and abuse. Both the Envision bond and the MultiPlan 8.5% bond due 2022 were bottom performers during the quarter due to news around surprise billing legislation that has been making its way through Congress in June. The legislation would disrupt the current system for negotiating out-of-network charges for emergency room bills, which could impact portions of both companies' businesses.

* % of total market value of fund holdings as of 6/30/19. 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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AXA Equitable Life Insurance Company (NY, NY)

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