1290 High Yield Bond Fund

Market Overview

With concerns heightened that the deceleration in global economic and U.S. manufacturing activity might soon overtake the strength of the U.S. consumer sector, the Federal Reserve moved to assure financial markets that ample amounts of liquidity would be available to ensure that additional downside risk to future growth would be minimized. As such, as the quarter unfolded, the importance of the economic data became secondary to the forward policy guidance offered by Federal Reserve officials in their public communications. That said, the theme of the data throughout the quarter reflected a continuation to those seen in previous quarters. That is, employment growth continuing to support rising incomes and spending from the consumer while the nation's manufacturing sector continued to be adversely influenced by the global economic slowdown brought on by U.S. and China tariff dispute.

During the fourth quarter of 2019, the ICE B of A Merrill Lynch U.S. High Yield Index (U.S. High Yield Index or U.S. High Yield) underperformed U.S. Equities (S&P 500 Index +9.07%), and outperformed U.S. Investment Grade Corporates (+1.15%) and U.S. Treasuries (-0.89%). Within U.S. High Yield, higher quality BB-rated credits (+2.37%) underperformed both single B-rated credits (+2.83%) and CCC-and-lower rated credits (+2.80%). All of the 18 industry sectors posted positive returns for the quarter. The best performing sectors were automotive (+5.10%), insurance (+3.71%), and healthcare (+3.59%). The worst performing sectors were telecommunications (+1.47%), real estate (+1.81%), and leisure (+1.83%). The High Yield Index's Option Adjusted Spread was 360 basis points at the end of December, a 42-basis point points (1 basis point = 1/100th of 1%) decrease from 402 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 5.41%, compared to 5.87% at the start of the quarter. The High Yield Index's average price was $100.74 at quarter end, $1.58 higher than the $99.16 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 fourth quarter of 2019 the 1290 High Yield Bond Fund's performance benefitted from positive security selection, particularly within the higher yielding portion of the market. The Fund's macro positioning had a negative impact on relative performance during the quarter. An overweight to short duration securities detracted from relative performance during the period. Fund performance benefitted from participating in multiple new issues which performed well.

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

Fund Overview (continued)

From a sector perspective, Fund performance benefitted from positive security selection within the telecommunications and transportation sectors. The Fund experienced negative security selection within the energy sector during the quarter. The up-in-quality positioning within this sector, which generated alpha through the first three quarters of 2019, resulted in the give back of some of that alpha generation in the fourth quarter as the most stressed energy credits outperformed. The Fund also experienced negative security selection in the Services sector during the period.

Fund Highlights

What helped performance during the quarter?

The top contributors to return for the quarter were debt positions in Kenan Advantage Group (1.03%*), GTT Communications (0.35%*) and Cincinnati Bell (0.71*). Kenan Advantage Group is the largest liquid bulk hauler of refined products, chemicals and other products in North America in the short-haul 'last-mile' segment of the industry. The company's bonds performed well on the heels of a strong third quarter earnings report. GTT Communications is a global provider of telecom services to businesses, governments and carriers. GTT was a top contributor during the quarter after management indicated that they were seeing positive underlying business trends. Also, GTT announced an expanded strategic review process with a goal of selling assets and using the proceeds to reduce debt. Cincinnati Bell is a local fixed-line telecommunications operator with a presence in the greater Cincinnati area as well as Hawaii. Cincinnati Bell bonds were a top contributor during the quarter due to news that the company is being acquired by an infrastructure fund. Existing Cincinnati Bell bonds may be redeemed following the close of the acquisition.

What hurt performance during the quarter?

The bottom contributors to return for the quarter were debt positions in Exela Technologies (0.00%*), Blue Racer Midstream (0.36%*) and Gulfport Energy (0.24%*). Exela Technologies is a provider of business process outsourcing and automation. Exela Technologies bonds performed poorly during the quarter due to weaker than expected third quarter earnings and increasing investor concerns regarding the company's liquidity profile. Blue Racer is a pure play natural gas midstream operator which provides services including gas gathering, processing and fractionating in the Utica basin. The company's bonds traded down during the period due to weakness in natural gas prices during the quarter as well as a disappointing third quarter earnings report which showed lower overall gathered volumes. Gulfport Energy is a natural gas focused exploration and production company with assets located in Appalachia and the SCOOP play in Oklahoma. Gulfport's bonds underperformed during the quarter as natural gas prices declined and high yield investors' sentiment toward levered exploration and production companies deteriorated.

* % of total market value of fund 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 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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