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Podcast presents:

Growth investing in today's markets

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September 2025 Transcript

This is an auto-generated transcript that has been edited for clarity and ease in reading.

Ken:

Hi, everyone. Ken Kozlowski here, Chief Investment Officer of Equitable Investment Management. And today I've got the pleasure to welcome Josh Snyder on our Markets and Investing podcast. And Josh is the Global Investment Strategist for GQG Partners. He's also a CFA charter holder. He's got over 10 years of investment experience across various banking, insurance, research, and investment advisory roles. And prior to GQG, Josh was a commercial portfolio manager of middle market bank loans and a research associate at Summit Strategies Group. And Josh holds a BS in finance from Webster University. So Josh, thanks for coming here and being with us today. We look forward to spending a little time with you.

Josh:

Yeah, 100%. Thanks for having me, Ken. Always, always appreciate the time.

Ken:

All right, let's start it off. So let's talk a bit about growth investing. And when you talk about growth, you know, we hear so much about obviously technology, AI, the Mag7, those kind of securities continue to grow. So what's your forward-looking outlook in the growth space?

Josh:

Yeah, sure. No, I mean, it's like the number one question these days, right, Ken? So of course, super, super happy to tackle this. And I know, we could probably spend the next six hours, we'd probably spend, you know, do an entire Joe Rogan type, you know, conversation about this, but we'll keep it much tighter than that. We don't want to lose everybody, you know, sort of along the way.

But I think, look, this is a really important space. I mean, I think, Ken, if we were having this conversation maybe 12, 15 months ago, I think things from our perspective would actually look very different. And in fact, in terms of the overall kind of go-go growth, in terms of those areas of AI and anything sort of linked to AI, we're far less sanguine on those spaces today than, again, if we were having this conversation, like I said, 12 to 15 or so months ago. And I do think that's really important because certainly, Ken, as you know, in terms of the way we think about the world. We are growth managers, but our lens of growth is a bit different than I think a lot of our peers, because our lens of growth is via compound growth. And so to us, compounding can come from a whole host of different areas, not just necessarily something with really high revenue growth or something with really high EPS growth, although certainly we like those things, but it's much more about how can I get to this kind of high single digit, low double digit compound return at prices that are commensurate with that growth overall.

And I think that's really the crux of the issue here where we are today, Ken, is the fact that that's no longer really the case in our view in that space, that the visibility of earnings and a lot of these names and certainly these names that have ramped so much just really isn't there. And of course, now, as you know, when the price is paid for a whole host of these things have really ballooned. You know, I mean, even if we just look at the S&P 500, like an aggregate, I mean, we're talking now north of what, 22, 23 times forward, next year's earnings, depending on whose numbers you want to look at, that's basically in line or higher than 2021 and really approaching levels not seen since the .com. And certainly if you're looking at kind of price to sales space, we're basically at all-time highs. So almost any valuation metric that you want to use. And I do think that's important because certainly, again, as you know, like as we think about investing and you think about data, data's an ensemble, right? We shouldn't get overly engineered to one metric, but really when they're all sort of singing the same sort of tune, we really think, it really becomes, kind of problematic. And our view has really sort of been like if you want to use kind of a driving analogy, it's, again, last year or certainly early 2023 through maybe the bulk of 2024, look, the sun's out, the pavement's dry, there's not a lot of traffic. So yeah, go ahead and rip it and grip it at 85 in the fast lane. You know, the likelihood of a bad outcome is generally not that high. But now as the clouds have rolled in and the rain has started to fall, and now the pavement's no longer dry, the cars are picking up, prudence just suggests maybe go ahead and slow down a bit. And I think that's really where we're at in terms of, again, this cycle. So our preference in terms of growth is really not in those types of AI areas right now. It's more in the Steady eddie types. on these various high compounders, whether that's the likes of consumer staples or utilities, but certainly in the regulated kind of framework, not so much the super exciting ones, the unregulated utilities like the Constellations or the Vistras that make all the headlines. And then also some of these kind of steady eddie, you know, sort of banks and

insurers, where again, our view is that the potential for compounding exists. There are certainly opportunities, of course, to leverage these LLMs, these large language models across all of those spaces, right? Insurance is a big one, like in terms of underwriting better efficiencies, picking up things in the data that maybe a human doesn't capture, certainly across things like coding and making stuff more robust. But really, even if you look at the data that's come out, I mean, Sam Altman, of course, the poster child for all these things, he says, oh, we're definitely in an AI bubble.

MIT just rolled out a piece that said 95% of LLMs that get implemented at absolutely, you know, sort of no value. So again, I think that's a really big part of the piece for us is that as you look out at the world, of course, we know there's a ton of spending and a lot of folks are super sanguine. But our view is just that prudence really should sort of reign the day that it doesn't mean we won't use these things. We will. Doesn't mean they won't get better. They will. But given the prices paid and giving so much, I think of the hype within the system, Our view is just that far less sanguine on a whole host of these tech and tech-like names today. Then again, if we were having this conversation, say, 15 months ago.

Ken:

Those are great insights about growth. And I think another thing that we've noticed, obviously, is the level of concentration in the Russell 1000 growth, the S&P 500. You know, if you think that you've got a fully diversified portfolio in the S&P 500 with 500 stocks, given the fact, the top 10 names are, 40% of the market cap of that indice, you've got like a mini tech fund. So those are some great points about some of the things that you're looking at and some of the opportunities and the things that, some of the threats out there. But in your role as a global strategist, how do you see the geopolitical shifts that have occurred and some of the monetary policy changes that have occurred kind of shaping your global allocation strategies in terms of assets over the next 12 to 18 months?

Josh:

Yeah, sure. Again, I think that's kind of the one-two punch, right, Ken? It's the fact that what's happening in the sort of tech and AI space and now what's happening across this, you know, kind of global changing monetary landscape. I mean, I really think those are the two biggest thematics really that we've seen and I think something that we spend, the bulk of our time on, right? And I think it's, there's a reason for that. One of the most recent pieces that we've rolled out was on tech and how we think it's just kind of like .com on steroids, so touching on some of the things we just discussed. And then also earlier this year, we rolled out a piece in terms of, moving monetary tectonics, right? The big sort of shift that really is underway across the monetary landscape. And I think it's a couple of really interesting points here, Ken, to sort of, share with the listeners.

So, number one, I think it's pretty interesting. If you go back and you look at through time, you look at the, last kind of four to five major, sort of global reserve currencies, right? We're talking Spain from kind of, 1500s to 1600s. You're talking about the Netherlands, then France, the UK, and then of course, ultimately the US. On average, reserve currencies over this time period, so what the last 500 plus years have been about 99 years. So call it 99 to 100 has basically been the average, the US crossed that 100 threshold a couple of years ago, right? So we're already kind of in that space where you are sort of ripe for one of these big kind of turns overall. And then, of course, too, along with that, we have seen some major changes across the way, even over the last 100 or so years. If you think about Roosevelt basically

confiscating gold, if you think about Nixon taking us off the gold exchange standard in '71, these have been some really, really big changes that have occurred. And I think we're kind of going through that right now, right? if you've seen some of the headlines over the last couple of weeks, basically on a global basis, now you have gold as a percentage of central bank reserves have now exceeded those of U.S. treasuries. That's a pretty important sort of signpost. You can see what's happening in the gold market on almost a daily basis, right? It just continues to just rip and go higher. I think from a market signal, that ultimately tells you a lot. Again, of course, you've seen what's happened with the adoption of Bitcoin. You've seen the rollout of stablecoins, et cetera, et cetera. I mean, these are some big fundamental shifts that really are happening. And I do think that is a big kind of important theme that you're starting to see, I think, that the beginnings, or at least depending on what ending you think we're in, of this phase transition of a very, very different monetary landscape going forward. And I think one of the major things for that, Ken, of course, is, again, as you know, is the debt. The debt is just so high, right? The debt on a global basis, and certainly within developed markets, is massive. I mean, you're at the point now where we're in the US, and this is why it's every day where Trump and Besson are out there, and whether it's to fire Jerome and get the rate down, I always think of rate in singular. It always makes me laugh. It doesn't say rates, it just says rate, which I just love. It makes me chuckle.

Because of course, the debt's too high and it's too expensive. If you have north of a trillion in interest expense, it's one of the most expensive line items for the US. And folks are starting to recognize that. So this is a huge thing. Of course, as we know, money is the base layer of everything. Money factors into all the sort of components across finance. So it is something that is really important. And just even sort of lastly to that thought, you know, and I don't think this has gotten enough coverage. Within the last couple of weeks, you know, Mike Wilson over at Morgan Stanley basically came out and said, you know, you really need to adjust your portfolio to incorporate stuff like gold, right? So he rolled out his, sort of 60-20-20 of kind of stocks, bonds, and gold. So that is not something, especially if that, such a big name that has rolled that out. I think this is a big, big fundamental shift. And again, something we've written about, but something, again, that we do spend a lot of time talking about and thinking about for sure.

Ken:

Thanks. And when you talk about the debt, one of those statistics that really strike home to me is the fact that right now, we're paying more in interest expense than we are in defense. And that kind of flipped last year. And that's just unsustainable. So, all right, so I'm gonna, let's wrap it up. Right now, and we do a lot of communication with our financial professionals about, you know, investing with a long-term view, diversification, rebalancing, kind of timeless things to do in terms of looking at your portfolio. But if you could share one or two points with our folks here about, between now and the end of the year, what are some of the key things to look at?

Josh:

Yeah, sure. No, I mean, of course. So I think, again, number one, or even just something that's really topical. Look, these are interesting things to talk about. I don't know how much of a difference it will make, but even right now, as you and I are chatting, Ken, I mean, we're talking about US government shutdown. You know, what does that look like? There's been a lot of talk around the data and...

Is the data any good? Are we even going to get the data? So if there's something that you're focused on, we're not, we're much more longer term investors, Ken, of course, you folks are, but just in terms of things that are topical and things to pay attention to, this is something that at least is there. Because again, we talked about the debt and we talk about data. Those are all things that folks think about and certainly data are things people rely on.

So I think that's, number one. I do think #2 is the fact that, again, if you kind of go back to AI in terms of the impacts that have been, I think that we're seeing in our view in the market is becoming far too complacent to what we're seeing across the scope, right? So if we think about a lot of the key players, right, you think about the cloud players, Microsoft and Alphabet and Amazon and now Oracle, right, roll up in that mix. You know, they're basically projected to spend this year like upwards, you know, 300 to 350 billion, right.. That's interesting. It's a ton of money. But what has also happened is that these numbers and this level of spend is becoming increasingly more circular, right? Where you think of like the AI, the data centers in Coreweave, the users of like OpenAI, everybody buying chips from NVIDIA, and then how Microsoft fits in, and then now how Oracle, right, announces a deal with OpenAI that's not even going to hit for, you know, the next, you know, three upwards to five years, which is really money that OpenAI doesn't have on compute that Oracle hasn't built and doesn't exist. And so it's becoming increasingly more narrow, it's becoming increasingly more circular, and it's all being bid up on a lot of things that don't exist. And I think what is important to folks to remember is, you know, you think of this sort of like Field of Dreams, you know, if you build it, they will come. Well, we did a lot of that in the.com, and they built a lot of stuff in the.com, and sometimes people don't come. And so if you think about Global Crossing, laying all those cables at the bottom of the sea, there's some estimates out there that, you know, 30 to 50% of those cables are still dark 25 plus years later. that really is remarkable. So, what's the, we could use a whole podcast of cliches, Ken, but predictions are hard, especially about the future. And then I just sort of think lastly, again, as we talk about valuations, like, things can be true. Everything basically that was said about the internet came true. It's just that there was a lot of carnage along the way. And this doesn't mean we're not calling for, hey, the S&P 500 is going to fall by 50%. That's not the point of this. But the point, again, is to kind of to underscore that prudence really should come into the picture when you start to roll all these things up. And I think just sort of lastly, to use kind of a Naseem telebism, right? If you think of the analogy of the turkey, you know, the turkey is most confident the day before Thanksgiving, right? Because when you're fed and nurtured for three plus years, you think about a long-term bull market where very few things kind of go wrong, that's where you start to assume that nothing can go wrong. But of course, even though valuation is not a timing metric, right, it is a pretty good predictor of long-term returns.

And even if the growth comes through, and even if these things are actually true, the price you pay for that really matters. And if you pay far too high of a price, you can still have a bad outcome even if the growth comes through. And I think that's really where we're at in terms of the market. And I think those are the types of things that I think investors certainly, you know, prospectively as they head into the year should really, really focus on.

Ken:

Thanks, Josh. And I love that mix of optimism with a healthy dose of prudence. That's always great. So thank you, Josh, so much for being here with us today, sharing your thoughts. And it was great to finally

get in front of you and hear your views about markets and investing. And I just want to thank you very much. And you've been such a great partner, a great long-term partner with us here at Equitable Investment Management. And again, thank you very much.

So that's a wrap, folks. I want to have, I want to remind people that you're able to access the podcast at 1290funds.com and at equitable.com. So Josh, thanks again and goodbye everybody.

Josh:

Thank you folks.

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