

Market Overview

During the second quarter of 2017, early enthusiasm for healthcare and tax reform grew more tempered as the President struggled to garner enough support to pass his legislative agenda. Despite these near-term political setbacks, corporate revenue and earnings growth continued to provide a positive investment backdrop, helping to push equity markets to new highs. All four major equity indices set new record highs during the quarter. In June, the Federal Reserve raised the benchmark rate by 25 basis points (1 basis point = 1/100 of 1%) as expected. While Treasury bond yields climbed after the announcement, they still ended slightly lower for the quarter. In addition to a benign interest rate environment, credit spreads also tightened during the quarter, adding an additional tailwind to fixed income investments.

Convertibles posted a strong quarter as continued sector rotation helped drive relative returns. Two of the strongest performing sectors in 2016, energy and materials, were two of the weakest performing sectors during the quarter. Conversely, two of the weakest performing sectors in 2016, consumer discretionary and healthcare, were two of the strongest performing sectors during the quarter. Financials also posted strong gains as rising interest rates tend to improve profitability in the sector.

The pace of U.S. convertible new issuance slowed slightly during the quarter but year-to-date it remains well above the prior year's level. At the current rate of issuance, we believe the U.S. convertible market could generate a net supply this year, which would be its first gain since 2014.

Fund Overview

The 1290 Convertible Securities Fund pursues its investment objective by investing at least 80% of its net assets, plus borrowings for investment purposes, in a diversified portfolio of convertible securities.

Overweight positioning in technology, transportation, and healthcare paid dividends as these investments helped the Fund post solid returns for the quarter. The technology and healthcare sectors, in particular, tend to offer more growth-oriented exposures which the subadviser believes can provide above-average long-term investment opportunities. As a result, these two sectors will remain an area of focus for the Fund.

On the flipside, sectors such as consumer staples, financials, and utilities tend to offer more value-oriented exposures which we believe will lag over the longer-term and as such, will generally have less emphasis in the Fund. While small cap convertibles posted a solid quarter, the subadviser has generally underweighted them due to their historically weaker performance during periods of market stress.

Overall, the subadviser continues to remain positive on convertibles, even in the face of an interest rate tightening cycle. Historically, convertibles perform well in this environment as potential equity-related gains can offset the drag of higher interest rates. They believe this generally makes for a favorable comparison to alternative fixed income investments.

Spotlight on Holdings

What helped performance during the quarter?

- Security selection within the technology sector was a significant contributor to relative results for the period. Among the top contributing individual securities were Novellus Systems, Inc. 2.625% (2.47%*), Nvidia Corporation 1.00% (0.80%*), and the lack of exposure to the underperforming Intel Corporation 2.95% (0.00%*).
- Security selection within the financials sector further strengthened performance, notably an overweight exposure to the strongly performing banking industry.
- Security selection within the transportation sector also helped bolster performance, led by double-digit returns from XPO Logistics, Inc. 4.50% (1.10%*).
- Elsewhere, the Fund was well served by an underweight exposure to the underperforming energy sector.

What hurt performance during the quarter?

- The Fund's less-than-market exposure to consumer discretionary holdings hindered performance for the period.
- Unfavorable security selection in the industrials sector also detracted from results, held back by underperformance from Ryland Group 1.625% (2.20%*).
- The Fund was also hampered by unfavorable security selection in the telecommunications sector, where Frontier Communications Corporation (0.39%*) posted a disappointing return.

* % of total market value of fund holdings as of 6/30/17. 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 Convertible Securities Fund seeks to achieve a high level of total return. Performance may be affected by one or more of the following risks. The value of convertible securities fluctuates in relation to changes in interest rates and the credit quality of the issuer and, in addition, fluctuates in relation to the underlying common stock. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument, which may be different than the current market price of the security. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into underlying common stock or sell it to a third party. Investments by a Fund in convertible debt securities may not be subject to any ratings restrictions, although in such cases the Fund's Sub-Adviser will consider such ratings, and any changes in such ratings, in its determination of whether the Fund should invest in and/or continue to hold the securities. Convertible securities are subject to equity risk, interest rate risk and credit risk and are often lower quality securities, which means that they are subject to the same risks as an investment in lower rated debt securities. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security is also subject to the same types of market and issuer-specific risks that apply to the underlying common stock.

Past performance is no guarantee of future performance.

The Fund may not be successful in implementing its investment strategy or may not employ a successful investment strategy, and there can be no assurance that the Fund will grow to or maintain an economically viable size, which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Until the Fund is fully capitalized it may not be pursuing its investment objective or executing its principal investment strategies.

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1290 Avenue of the Americas, New York, NY 10104

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AXA Equitable Life Insurance Company (NY, NY)

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