

Market Overview

Equity markets rallied yet again in the fourth quarter of 2017 as passage of the Republican tax plan was seen as a significant positive for corporate earnings/cash flow and a potential driver of more robust economic activity. During the quarter, the S&P 500[®] Index and the Russell 2000[®] Index appreciated +6.64% and +3.34%, respectively. The S&P 500[®] has produced gains in fourteen straight months, showing the consistency of recent appreciation and the complacency in investor sentiment. Meanwhile credit, defined as the ICE Bank of America/Merrill Lynch U.S. High Yield Master II Index, produced a more modest gain of +0.41% for the time period. This quarter's lower relative return in credit is reflective of our view that credit returns are going to be subdued going forward as already tight credit spreads and the overhang of gradually rising interest rates limit investor enthusiasm.

Convertibles, as measured by the ICE BofA/Merrill Lynch All U.S. Convertibles Index (the "Index"), added +1.56% during the quarter. Small Capitalization convertibles outperformed, rising +2.25% versus gains of +1.69% and +1.20%, respectively, for Large Cap and Mid Cap convertibles. On a sector basis, Industrials and Materials produced the highest returns, while Media and Transportation yielded losses during the quarter.

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.

The Fund benefited from its overweight positioning in cyclical sectors, particularly industrials and technology, which generated some of the strongest convertible gains in the quarter amidst the backdrop of stronger domestic growth and improving global fundamentals. Financials were also a significant contributor while defensive sectors such as consumer staples, telecommunications, and healthcare lagged overall performance.

The recently-passed tax reforms should provide an additional boost to domestic growth. The manager anticipates that lower corporate tax rates, the ability to fully expense capital investments, and the potential for cash repatriation will continue to provide a tailwind to U.S. equity performance. They believe that they are well-positioned to benefit from the improving economic conditions. Cyclical names, profitable companies with high effective tax rates, and companies with large cash balances overseas are particularly attractive in this environment. As such, they believe sectors such as healthcare and technology can continue to capitalize on these drivers and potentially generate superior long-term results for convertible investors.

Source for all data above: Palisade Capital Management

Spotlight on Holdings

What helped performance during the quarter?

- The Fund benefited from positive security selection within the industrials sector, driven by double-digit returns from CalAtlantic (1.34%*) and Dycom Industries (1.04%*). An overweight to industrials, the best performing sector in the Index for the period, further added value.
- Outperformance in the transportation and utilities sector, led by Echo Global Logistics (0.64%*) and Dominion Energy (0.28%*), respectively, also bolstered results.
- Elsewhere, the Fund was well served by an underweight to the relatively weak media sector and an overweight to the outperforming technology sector.

What hurt performance during the quarter?

- An overweight position and underperformance in the relatively weak healthcare sector dragged down results for the period. Notably, at the security level, Allergan (1.83%*) and Tesaro (0.44%*) both experienced double-digit declines.
- The Fund was also hindered by underperformance in the materials and consumer staples sectors, held back by Cemex (1.69%*) and Post Holdings (0.40%), respectively.
- Within the technology sector, the Fund was held back by weakness from Advanced Micro Devices (0.55%*) and Priceline Group (2.56%*).

* % of total market value of the Fund's portfolio holdings as of 12/31/17. 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 S&P 500® Index is an unmanaged weighted index of common stocks of 500 of the largest U.S. companies, deemed by Standard & Poor's to be representative of the larger capitalization portion of the United States stock market.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It consists of approximately 2,000 of the smallest securities based a combination of their market cap and current index membership.

The ICE BofA/ML U.S. High Yield Master II Index (H0A0) tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

ICE BofA Merrill Lynch All U.S. Convertibles Index (the "Index") consists of U.S. dollar denominated investment grade and non-investment grade convertible securities sold into the U.S. market and publicly traded in the United States. The Index constituents are market value weighted based on the convertible securities prices and outstanding shares, and the underlying index is rebalanced daily. Individuals cannot invest directly in an index.

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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AXA Equitable Life Insurance Company (NY, NY)

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