1290 DoubleLine Dynamic Allocation Fund

Market Overview

As has been the case for over a year, equity market action in the second quarter of 2019 was heavily influenced by the on-going trade war and prospective monetary policy. For the second quarter, the S&P500® Index gained 4.30%.

The equity markets entered the period comfortable the "Powell Put" safely in place. With the door closed to tighter monetary policy, all it took was the prospect of "Trade Peace" to drive the equity markets to new all-time highs by the end of April. Correspondingly, equity market volatility, as measured by the CBOE Volatility Index (VIX), fell to levels last seen in the complacent days of mid-2018. The early-May breakdown in trade talks with China and the announcement of new tariffs triggered a sharp reversal in the U.S. equity markets. Volatile May trading left the S&P500 Index down more than 6% from its April highs. Right on schedule the Federal Reserve (Fed) stepped up the dovish rhetoric, suggesting the possibility of rate cuts. As the probability of a cut (as measured by the Bloomberg's World Interest Rate Probabilities (WIRP)) in the Federal Funds rate at the Fed's Open Market Committee July meeting rose from less than 25% to 100%, the S&P500 Index rallied to new all-time highs.

While the markets remained myopically focused on Fed policy and the trade war, corporate earnings continued to slip. The companies included in the S&P500 Index reported first quarter earnings that were slightly down compared to the same quarter in 2018. As June came to a close, consensus estimates (as measured by FactSet) predicted a further year-over-year decline of 2.6% in the second quarter – the first back-to-back decline in earnings since 2016. These projections represent a significant deterioration from earlier projections – in the case of the second quarter a swing of over 5% from the +2.6% earnings growth projected at the beginning of 2019.

Fund Overview

The 1290 DoubleLine Dynamic Allocation Fund pursues its investment objective, to seek to achieve total return from long-term capital appreciation and income, by investing under normal circumstances, in a diversified range of securities and other financial instruments, including derivatives, which provide investment exposure to equity and fixed income investments. In the second quarter of 2019, the 1290 DoubleLine Dynamic Asset Allocation Fund gained 3.58%, while the Fund's benchmark – a blend of the S&P500® Index (60%) and Bloomberg Barclays U.S. Aggregate Bond Index (40%) – gained 3.96%. During the period, the S&P500® Index gained 4.30% and the Bloomberg Barclays U.S. Aggregate Bond Index gained 3.08%.

Source for all figures above: DoubleLine Capital

Fund Highlights

What helped performance during the quarter?

The Fund's allocation to the Shiller Barclays CAPE U.S. Sector Index (CAPE Index) outperformed the S&P500 Index in the second quarter. During the quarter, the CAPE Index was allocated to six sectors: communication services, consumer staples, energy, healthcare, materials, and technology. Four of these sectors contributed positively to returns for the quarter, with Technology, Communications Services, and Materials making the greatest positive contributions.

The Fund's active equity investments also outperformed the S&P500 Index in the second quarter of 2019. The active equity portfolio benefited from positive stock selection, particularly in the healthcare, industrials, and information technology sectors.

The return of the Fund's fixed income investments was positive in the quarter, exceeding the Bloomberg Barclays U.S. Aggregate Bond Index's return. All sectors of the fixed income portfolio delivered positive returns. Investment-grade corporate bonds, Agency mortgage-backed securities (MBS), and high yield delivered the highest returns.

What hurt performance during the quarter?

The Fund's conservative asset allocation, underweight equities relative to the benchmark weight of 60% in equities during the quarter.

In the allocation to the CAPE Index, energy and healthcare – both were negative while constituents of the Index

In the active equity sleeve, security selection in energy and consumer discretionary was a drag on returns relative to the S&P500 Index.

In the fixed income sleeve bank loans, non-Agency MBS, and global bonds, while providing positive total returns, were the lowest returning sectors.

Source: DoubleLine Capital

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 DoubleLine Dynamic Allocation Fund seeks to achieve total return from long-term capital appreciation and income. The Fund's allocations may change at any time. Performance may be affected by one or more of the following risks. Fixed income investments are subject to interest rate risk so that when interest rates rise, the prices of a fixed income security can decrease and the investor can lose principal value. Equity securities may be bought on stock exchanges or in the over-the-counter market. Equity securities generally include common stock, preferred stock, warrants, securities convertible into common stock, securities of other investment companies and securities of real estate investment trusts. In general, the value of stocks and other securities fluctuate, and sometimes widely fluctuate, in response to changes in a company's financial conditions as well as general market, economic and political conditions and other factors. To the extent the Fund invests more heavily in particular sectors, its performance will be especially sensitive to developments that significantly affect those sectors.

The Fund's Index is a blend of 60% S&P 500® Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index. The **S&P 500® Index** is an unmanaged index which contains 500 of the largest U.S. industrial, transportation, utility and financial companies deemed by Standard and Poor's to be representative of the larger capitalization portion of the U.S. stock market. **The Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index considered representative of the U.S. investment-grade fixed-rate bond market. Includes government and credit securities, agency mortgage pass through securities, asset-backed securities, and commercial-backed mortgage securities. **The CBOE Volatility Index, or VIX**, is a real-time market index representing the market's expectations for volatility over the coming 30 days. Investors use the VIX to measure the level of risk, fear, or stress in the market when making investment decisions.

Barclays Capital Inc. and its affiliates ("Barclays") is not the issuer or producer of the 1290 DoubleLine Dynamic Allocation Fund (the "Strategy") and Barclays has no responsibilities, obligations or duties to investors in the strategy. The **Shiller Barclays CAPE® US Sector USD Index** (the "Index") is a trademark owned by Barclays Bank PLC and licensed for use by the manager of the Strategy. While the Strategy may execute transaction(s) with Barclays in or relating to the Index, Strategy investors acquire interests solely using the Strategy and investors neither acquire any interest in the Index nor enter into any relationship of any kind whatsoever with Barclays upon making an investment in the Strategy. The Strategy is not sponsored, endorsed, sold or promoted by Barclays and Barclays makes no representation regarding the advisability or use of the Index or any data included therein. Barclays shall not be liable in any way to investors or to other third parties in respect of the use or accuracy of the Index or any data included therein.

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Individuals cannot invest directly in an index.

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. Diversification does not eliminate the risk of experiencing investment losses.

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(AXA000817) (exp. 12/31/19)