

Market Overview

The Russell 2500™ Small and Mid Cap stocks continued to trail returns of their Large Cap counterparts with the S&P 500® down 0.8% for the quarter and up 14% for the trailing 12 months. While the 'FAANG' (Facebook, Apple, Amazon, Netflix, and Google, none of which are held in the Fund) stocks led the way for most of the last year, we started to see some downward pressure in those names as Facebook's data sharing practices were exposed by the Cambridge Analytica scandal and Amazon has been the latest target of President Trump's tweet storms.

Meanwhile, the small and mid-sized companies that stand to benefit the most from the tax bill passed just before the Christmas recess were largely overlooked by comparison. Smaller companies tend to be full cash tax payers and generally have lower cash reserves, and thus are more highly levered to the lowering of the corporate tax rate to 21%. The tax bill gives clarity to corporate leaders on asset values and confidence to pursue strategic acquisitions to grow their businesses over the long-term. Small and mid-sized companies should benefit from continuing momentum in deal activity as larger companies use acquisitions as a more efficient way to boost their revenues and we have seen this momentum building during the 1st quarter.

Fund Overview

The 1290 GAMCO Small/Mid Cap Value Fund pursues its investment objective by investing at least 80% of its net assets, plus borrowings for investment purposes, in securities of small and mid-capitalization companies. The Fund buys businesses believed to be selling at a discount to their Private Market Value (the price an informed industrialist would pay for the entire company), with a catalyst in place that could potentially surface values. The subadviser's philosophy and process focuses on fundamental company research and individual stock selection. The Fund's holdings are significantly different than its benchmark index, the Russell 2500 Value Index, and often performance will not closely track benchmark.

The Fund's performance was slightly below that of the Russell 2500 Value Index during the first quarter, though the Fund's trailing 12 month performance outpaced the index. The Fund's more than double weighting in industrials companies was a slight drag on performance as posturing on trade policy between the U.S. and China escalated during the quarter.

The manager believes they are generally well-positioned for almost any economic environment. The Fund's holdings tend to be domestically focused with strong franchises and often pricing power. The managers have never been top-down allocators, trying to chase every trend. Rather, they rely on fundamental bottom-up research informed by our view of the shifting political and economic tides. They purchase and hold securities trading at discounts to their Private Market Values appropriate for their level of risk and seek to identify one or more catalysts that could close that valuation gap. Industry consolidation, financial engineering (e.g. spin-offs), changes in management and changes in regulation are just a few catalysts in which the Fund is rich.

Spotlight on Holdings

What helped performance during the quarter?

- Layne Christensen (0.1%), which has water management, infrastructure services and drilling businesses, was up nearly 20% as it agreed to be acquired by Granite Construction during the quarter in a stock deal.
- Despite recent below trend consumer spending readings, several sports and live entertainment companies, including Madison Square Garden (1.0%) and Ryman Hospitality (1.3%), posted double digit returns during the quarter. Consumer preferences for live entertainment, particularly among millennials, will continue to drive growth at these companies.
- Energizer Holdings (0.9%) was up over 20% on the heels of strong earnings due to improved operations, share repurchases and a lower tax rate. Its pending acquisition of Spectrum's battery businesses will generate significant synergies and expand its position internationally.

What hurt performance during the quarter?

- E.W. Scripps (1.5%) has underperformed the TV broadcast group as digital investments made over the last several years have yet to pay off. Ultimately, in a consolidating TV universe, we think that Scripps could be acquired.
- Truck manufacturer, Navistar (1.2%), posted an outstanding first quarter ending in January, but neglected to boost financial guidance meaningfully. What we view as conservatism may have been taken by the Street as concern that upcoming results won't keep pace with the company's recent strength.
- Home builder Lennar (0.5%) was down during the quarter as the market digested a recent acquisition and a one-time write-down associated with the purchase. The company will benefit from improving housing market fundamentals as companies race to fill a production shortage and meet increasing millennial demand.

* % of holdings as of 3/31/18. 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 GAMCO Small/Mid Cap Value Fund seeks to maximize capital appreciation. In general, stocks and other equity security values 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. The Fund's investments in mid- and small-cap companies may involve greater risks than investments in larger, more established issuers because they generally are more vulnerable than larger companies to adverse business or economic developments. Foreign markets, particularly emerging markets, may be less liquid, more volatile and subject to less government supervision than domestic markets. Security values also may be negatively affected by changes in the exchange rates between the U.S. dollar and foreign currencies. Differences between U.S. and foreign legal, political and economic systems, regulatory regimes and market practices also may impact security values and it may take more time to clear and settle trades.

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.

Russell 2500™ Value Index, the Fund's benchmark, is an unmanaged index which contains those Russell 2500 securities (the bottom 500 securities in the Russell 1000 Index and all 2,000 securities in the Russell 2000 Index) with a less-than-average growth orientation.

Individuals cannot invest directly in an index.

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AXA Equitable Life Insurance Company (NY, NY)

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