

Market Overview

December was the culmination of an eventful year for the market. The exuberant reaction to the passage of the Tax Cuts and Jobs Act resulted in the best January market return in over 20 years and marked a new high for the S&P 500[®]. The remainder of the year can best be summarized by strong corporate earnings and broad U.S. economic strength, a sharp contrast to most major international economies which saw decelerating growth. U.S. Gross Domestic Product (GDP) growth peaked at 4.2% in the second quarter of 2018 and followed up with a solid 3.5% in the third quarter. The fourth quarter is tracking somewhat weaker. The stronger U.S. economy, relative to other developed economies, and divergent global central bank policies resulted in a steadily increasing U.S. dollar over the course of the year. Despite increasing uncertainty around trade and tariff disputes, the relatively robust economic backdrop in 2018 gave the U.S. Federal Reserve (Fed) cover to raise rates in March, June and September, as expected and with little resistance. The December rate increase met with more resistance as the market digested political pressure from the President and a fast approaching March 1st deadline for the ongoing trade negotiations with China.

While the market had ignored many of these challenges for most of the year, these factors were squarely in investors' focus at the end of the quarter. The S&P 500[®] was down 4.4% and the small capitalization Russell 2000[®] index was down 11% for 2018, with each off 14% and 22% from the peaks in those indices in September and August, respectively. By comparison, the 1290 GAMCO Small/Mid Cap Value Fund was down 17.6% during the quarter and 14.3% for the full year, versus 17.1% and 12.4% for its index, the Russell 2500[™] Value. Smaller companies were harder hit during the end of the quarter as the market grappled with the potential slowdown in global growth. However, smaller capitalization companies continue to have notable advantages including more upside from the corporate tax cut, lower international exposure and hence some cushion from trade disruptions and they are also likely beneficiaries of continued deal activity.

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 subadvisor's philosophy and process focuses on fundamental company research and individual stock selection.

The Fund's performance was just behind the Russell 2500[™] Value Index during the fourth quarter and slightly trailed the index for the full year. For perspective, in the volatile month of December, the fund was down slightly less than its index, 10.1% compared to 11.1% for the Russell 2500[™] Value. The Fund looks quite different from the index and occasionally there have been periods where returns differ significantly. For instance, in 2017, the Fund's performance nearly doubled that of the index, up 19.6% while the index was up 10.4%. The Fund's higher exposure to industrials companies weighed on relative performance for the quarter and the year as trade rhetoric ramped up at the end of the year and the deadline for negotiations with China early in 2019 came into view.

Source: GAMCO Asset Management

The subadvisor 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 subadvisor has never been top-down allocators, trying to chase every trend. Rather, they rely on fundamental bottom-up research informed by their 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.

Fund Highlights

What helped performance during the quarter?

- Tribune (4.42%*) was up 18.74% this quarter as Nexstar (0%*) announced a \$4.1 billion takeover deal for the company for \$46.50 a share, \$3 higher than Sinclair Broadcasting's (0%*) previous offer. Nexstar's management is viewed as more flexible in making divestitures to ascertain that the deal goes through, while Sinclair Broadcasting was not as accommodating, which ultimately cost the company the deal.
- Federated Investors (3.07%*) was up over 11.19% during the quarter amid what we view as a strong environment for cash management, as we see more cash manager consolidation and higher interest rates. The company trades at a compelling valuation and has a history of strong leadership and shareholder friendly allocation of capital.
- Utilities companies including AES Corp. (1.06%*) proved their defensive value, providing stable performance during the quarter.

What hurt performance during the quarter?

- Equipment rental company, Herc Holdings (1.58%*), had a difficult quarter due to investor concerns regarding where we are in the economic cycle as well as trade sensitivity. For its part, the company has improved profitability each subsequent quarter and continues to see a strong outlook for their end markets in 2019.
- Consumer staples stocks including beverage company Cott (0.20%*) and regional grocery store operator, Ingles Markets (0.31%*), were weak as they faced changing consumer tastes, new competition and headwinds from higher interest rates as former "bond proxies."
- The Fund's higher exposure in industrials hurt performance during the quarter as trade rhetoric and upcoming negotiation deadlines came into sharper focus.

* % of holdings as of 12/31/18. 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, 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. 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 2000® Index is an unmanaged index which measures the performance of approximately 2000 of the smallest companies in the Russell 3000® Index, which represents approximately 10% of the total market capitalization of the Russell 3000® Index. It is market-capitalization weighted.

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.

1290 Funds is part of the family of mutual funds advised by AXA Equitable Funds Management Group, LLC (FMG, LLC), doing business in this instance as 1290 Asset Managers. FMG, LLC is a wholly owned subsidiary of AXA Equitable Life Insurance Company (AXA Equitable), NY, NY. AXA Distributors, LLC is the wholesale distributor of the 1290 Funds. AXA Advisors, LLC (member FINRA, SIPC) offers the 1290 Funds to retail investors.

"AXA" is the brand name of AXA Equitable Financial Services, LLC and its family of companies, including AXA Equitable, AXA Advisors, LLC, and AXA Distributors, LLC.

1290 Funds® is a registered service mark of AXA Equitable Life Insurance Company, New York 10104.

The Fund is distributed by ALPS Distributors, Inc., which is not affiliated with FMG, LLC, AXA Equitable, AXA Distributors, AXA Advisors or the subadvisor.

ALPS, a DST Company, 1290 Broadway, Suite 1100, Denver, CO 80203.

© 2019 AXA Equitable Life Insurance Company. All rights reserved.

1290 Avenue of the Americas, New York, NY 10104

Mutual Funds: Are Not a Deposit of Any Bank • Are Not FDIC Insured • Are Not Insured by Any Federal Government Agency • Are Not Guaranteed by Any Bank or Savings Association • May Go Down in Value

AXA Equitable Life Insurance Company (NY, NY)

(AXA000726) (exp. 6/30/19)