

Market Overview

U.S. stocks registered their best first quarter since 1998. A shift in U.S. Federal Reserve (Fed) policy and anticipation of a trade deal with China fueled the rally. The Fed decided to hold rates steady as the U.S. economy continues to show signs of slower growth. Recent data reports that the economy is still healthy, with employment close to a 50 year low, strong wage growth, and inflation inching close to the Fed's target of 2%. The Fed's monetary policy is in "stop, look and listen" mode for now. Its dual mandate of maximum employment and stable prices is currently being met, and it appears that the U.S. economic expansion still has room to run.

Smaller cap 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, to seek to maximize capital appreciation, 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 investor would pay for the 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 outperformed the Russell 2500TM Value index during the first quarter. The Fund's higher exposure to industrial companies drove its outperformance during the quarter as the broad market brush that painted all of these names with the same trade sensitivity regardless of underlying company fundamentals and global exposure at the end of the year did not apply during this quarter.

The subadvisor believes the Fund is 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 relies 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 and seek to identify one or more catalysts that could close that valuation gap, such as industry consolidation, financial engineering (e.g., spin-offs), changes in management and changes in regulation.

Source: GAMCO Asset Management

Fund Highlights

What helped performance during the quarter?

- ATM manufacturing and servicing company, Diebold (1.89%*), more than tripled during the quarter. Following an ill-timed merger several years ago, CEO Gerard Schmid recently joined the company and has taken quick action to restore liquidity by raising high yield debt, aggressively streamlining the company's cost structure, and improving its productivity in the service business. The cost cutting initiatives are showing early signs of success and the company's outlook has improved.
- Herc Holdings (2.03%), which was spun out of Hertz in 2016, showed strong operating cost improvement and cash flow growth, and should benefit from expected incremental spending on infrastructure.
- Scripps (0.96%) had a strong quarter as the return of automotive advertising and positive commentary on core advertising, following a record 2018 political cycle, drove share increases. The company is acquiring TV stations from Nexstar (0.00%*), which will increase its reach to 30% of US households.

What hurt performance during the quarter?

- Tribune Media (3.52%*) was flat for the quarter as the company took another step closer to the closing of its acquisition by Nexstar, when Tribune's shareholders approved the deal during the quarter. The combined company will have over 200 TV stations in 118 markets reaching almost 40% of all households.
- Aerospace and defense products company, Aerojet Rocketdyne (0.76%*), was flat for the quarter as the market digested its restructuring led by CEO Eileen Drake.
- H&R Block (0.99%*) was down slightly during the period, as a delay in filing of tax returns weighed on results during the quarter.

* % of holdings as of 3/31/19. 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.

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AXA Equitable Life Insurance Company (NY, NY)

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