

Market Overview

Volatility rose and equities fell sharply as investors increasingly held the view that ongoing trade disputes and rising interest rates would inevitably result in a significant economic slowdown or even a recession. While China has shown signs of declining business and consumer confidence and Europe remains fragile and gripped by political uncertainty, a major cause for concern for investors has also been the potential for an inversion of the U.S. yield curve. Recently however, it appears the U.S. Federal Reserve has signaled it is likely to pause interest rate increases. In China, the government has undertaken some fiscal stimulus via tax cuts and is lowering reserve ratios for the banking system. Global leading economic indicators have softened in recent months, but at this time only a moderate slowdown is anticipated. Geopolitics and trade tensions remain nonetheless a key source of uncertainty as well as credit liquidity.

Regionally, Japanese and U.S. equities were among the worst performers. Utilities was the only sector not to fall over the quarter. Energy was the hardest hit amidst the oil price's slump. The market selloff was of such magnitude that it erased all the gains made in the previous three quarters of the year for most sectors.

Fund Overview

The 1290 Global Talents Fund pursues its investment by primarily investing in a diversified portfolio of equity securities issued by U.S. and non-U.S. companies that the sub-advisor has identified as being entrepreneur-led businesses whose long term growth prospects have not been fully reflected in their current market valuations.

The Fund underperformed its global index (MSCI ACWI) over the quarter. The underperformance was broad-based with a number of holdings bearing the brunt of the sharp equities selloff. This market rotation into defensive names was detrimental to fund performance given the growth tilt of the Fund.

The subadvisor made limited changes to the Fund. They see this market correction as temporary and believe company fundamentals remain solid and valuations reasonable. Over the period, the subadvisor exited Antofagasta (0.00%^{*}). Despite the company benefiting from best-in-class copper mines in Chile, they decided to step aside given rising costs, lower output and evidence of slowing Chinese industrial growth. The subadvisor has reinvested some of the proceeds into names with depressed valuations and exposure to emerging markets.

Source: AXA Investment Managers

* % of total market value of the Fund's portfolio holdings as of 12/31/18. Subject to change. Current and future Fund holdings are subject to risk.

Fund Highlights

What helped performance during the quarter?

- Tencent (2.64%*) proved resilient as the Chinese regulator finally announced it is gradually resuming granting approvals for new online games releases.
- Japanese diapers manufacturer Unicharm (3.62%*) held up well in the current volatile environment. Weaker oil prices should help in lowering input costs.
- Berkshire Hathaway (4.76%*) was less hard hit than most U.S. financials. The company should have also started share repurchase under its newly announced authorization. Also among financials, Peruvian lender Credicorp (2.88%*) was a standout at a time where most financials in developed markets came under pressure.

What hurt performance during the quarter?

- Softbank's (2.70%*) shares slid on concerns over Saudi Arabia ties as well as stretched technology valuations.
- Both EOG Resources (2.87%*) and Concho Resources (2.31%*) retreated in the context of oil prices slumping.
- Bank of the Ozarks' (1.71%*) share price tumbled in a context of deep market anxiety around U.S. commercial real estate lending.

Source: AXA Investment Managers

* % of total market value of the Fund's portfolio 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 Global Talents Fund seeks to provide long-term capital growth. Performance may be affected by one or more of the following risks. 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. 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. Diversification does not eliminate the risk of experiencing investment losses.

MSCI AC World (Net) Index, the Fund's benchmark, is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. An individual cannot invest directly in an index.

Past performance is no guarantee of future performance.

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