1290 Low Volatility Global Equity Fund

Market Overview

The tug of war between politics and fundamentals continued in the third quarter of 2018. The U.S. Federal Reserve raised the federal funds rate for the third time in 2018, to 2.25%, while confirming that another rate hike will occur in December. The U.S. economy continued to feel the effect of tax cuts, as GDP for 2Q18 was finalized at an annualized rate of 4.2% and preliminary 3Q18 forecasts looked to continue that trend. Despite that rosy picture, the U.S. yield curve appeared to be approaching an inversion (when short-term interest rates are higher than long-term rates), typically a recessionary leading indicator.

The European Central Bank in September confirmed its plan to scale down its bond-buying program in October and end purchases in December, but left its main lending rate at 0%, at least through the summer of 2019. In the U.K., the monetary policy-setting committee was reported to believe that capacity constraints were sufficiently severe to justify a tighter monetary policy to dampen inflationary pressures that might emerge. The Chinese economic slowdown appeared to have forced monetary authorities to cut back on deleveraging moves, in an attempt to keep financial reforms on track.

Equity investors once again shook off the potential dangers of tariffs, trade wars, inflation and rising rates to keep equity performance climbing. Investors seemed more influenced by the current tide of positive news, such as ongoing growth, strong earnings and high employment. Both the small-cap and large-cap sectors saw record highs in the quarter, with the most recent small-cap index highs coming at the end of August 2018, and large-cap index highs occurring around the end of September. In a reversal from last quarter, U.S. large-cap stocks outpaced small-caps with returns of 7.7% and 3.6%, respectively. Although domestically oriented small-cap stocks may have benefited from trade tensions in the second quarter, market watchers agree that large-cap stocks are still enjoying boosts from the tax bill that have not yet been fully realized.

Most non-U.S. indexes slid a little further in the third quarter after posting negative results in each of the year's first two quarters. Results were hampered by slower growth in developed economies and trouble in certain emerging markets. Emerging markets equity struggled less than in the previous quarter, but still declined slightly as shocks in Turkey and Argentina were met with rate hikes, which echoed across other emerging markets as the dollar strengthened.

Fund Overview

The 1290 Low Volatility Global Equity Fund pursues its investment objective of seeking long-term capital appreciation while managing portfolio volatility by investing in exchange-traded funds (ETFs). The Fund invests at least 80% of its net assets, plus borrowing for investment purposes, in ETFs that in turn invest substantially all of their assets in equity securities that have lower absolute volatility than the broader markets in which the ETF invest.

Source: FMG, LLC

Fund Highlights*

What helped performance during the quarter?

- Relative to MSCI ACWI Index, stock selection within Developed and Emerging Markets contributed to positive performance. On a sector basis, stock selection within Communication Services and Financials helped performance.
- On a sector basis relative to MSCI ACWI Minimum Volatility, stock selection within Materials aided performance.
- The portfolio marginally benefited from the strengthening US Dollar.

What hurt performance during the quarter?

- Stock selection within domestic equities was the largest detractor to performance relative to both MSCI ACWI Minimum Volatility and MSCI ACWI Indices. On a sector basis, overweight in Real Estate and underweight in Information Technology negatively impacted the portfolio relative to the ACWI indices.
- Relative to the MSCI ACWI Index, overweight in Emerging Markets and underweight in domestic equities hurt performance.
- On a sector basis relative to the MSCI ACWI Minimum Volatility, stock selection within Financials negatively impacted performance. Underweight and stock selection in Health Care also added to the relative underperformance.

- The Fund does not hold a position in any single security directly but has exposure through ETFs.

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 Low Volatility Global Equity Fund seeks long-term capital appreciation while managing portfolio volatility. Performance may be affected by one or more of the following risks. Investments in foreign securities, including depositary receipts, involve risks not associated with investing in U.S. securities. 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. Equity securities involve the risk that the value of the securities may fluctuate, sometimes widely fluctuate, in response to changes in a company's financial condition as well as general market, economic and political conditions and other factors. The Fund will be subject to the risks associated with the securities and other investments in which the Underlying ETF invest and the ability of the Fund to meet its investment objective will directly depend on the ability of the Underlying ETFs to meet their investment objective. An index-based ETF's performance may not match that of the index it seeks to track. An actively managed ETF's performance will reflect its adviser's ability to make investment decisions that are suited to achieving the ETF's investment objective. In addition, the use of volatility management techniques by the Underlying ETF may limit the Fund's participation in market gains, particularly during periods when market values are increasing, but market volatility is high. The underlying ETFs may be unsuccessful in maintaining a portfolio of investments that minimize volatility.

The Morgan Stanley Capital International (MSCI) ACWI Minimum Volatility (Net) Index aims to reflect the performance characteristics of a minimum variance strategy applied to large and mid cap equities across 23 developed markets and 23 emerging markets countries. The index is calculated by optimizing the MSCI ACWI Index, its parent index, in USD for the lowest absolute risk (within a given set of constraints). Historically, the index has shown lower beta and volatility characteristics relative to the MSCI ACWI Index. **Morgan Stanley Capital International (MSCI) ACWI (Net) Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 developed markets and 23 emerging markets. The index covers approximately 85% of the global investment opportunities. You cannot invest directly in an index.

Past performance is no guarantee of future performance.

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(AXA000697) (exp. 3/31/19)