How the Markets Performed

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 Gross Domestic Product (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.

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.

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.

In the fixed-income markets, the Bloomberg Barclays U.S. Aggregate Bond Index was roughly flat for the quarter, and the U.S. 10-year Treasury yield rose 20 basis points (1 basis point = 1/100th of 1%). U.S. high-yield bonds, however, were more resilient, providing modest quarterly gains. Otherwise, almost all global sectors reflected the impact of higher interest rates, with global inflation-linked, global sovereign bond and the global broad market securities generally down more than a percentage point.

The Allocations Drive Performance

Each Fund's performance will reflect the performance of the underlying asset classes and depend upon their percentage weighting within the Fund. Here's why:

The 1290 Retirement Funds are managed to target a specific year of planned retirement. The Asset mix will become more conservative each year, until about 10 years after the target retirement year, when it will become relatively stable. The Funds balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term retirement withdrawal horizon.

To achieve its exposures, the Fund invests in exchange traded funds (ETFs) representing various equity and bond asset classes. So the Funds' performance will be a function of the asset class performance and the percentage weighting of each in the Funds. Current target and actual allocations, as well as performance, are available in an accompanying quarterly Fund Fact Sheet.

Funds Highlights*

What helped the Funds' performance during the quarter?

- U.S. equities were the top performers during the third quarter.
- Within Emerging Markets, low volatility strategy outperformed relative to its market cap weighted counterpart.
- Within Fixed Income, high yield also added to performance.

What hurt the Funds' performance during the quarter?

- Market cap weighted strategy within Emerging Markets was the top detractor to performance as it continued to underperform the overall market.
- Core bonds and TIPs also had a slight drag on performance.

Source: FMG, LLC
* 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 Funds 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.

The 1290 Retirement Funds seek the highest total return over time consistent with their asset mix while managing portfolio volatility. Total return includes capital growth and income. 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 value 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. Fixed income investments are subject to interest rate risk so that when interest rates rise, the prices of fixed income securities can decrease and the investor can lose principal value. The Fund will be subject to the risks associated with the securities and other investments in which the Underlying ETF invests 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. Diversification does not eliminate the risk of experiencing investment losses. The underlying ETFs may be unsuccessful in maintaining a portfolio of investments that minimize volatility.

An investment in the fund will not ensure that an investor will have assets sufficient to cover retirement expenses or that an investor will have enough saved to be able to retire in, or within a few years of, the target year identified in the Fund's name.

Past performance is no guarantee of future performance.

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(AXA000699) (exp. 3/31/19)