How the Markets Performed

Global markets declined significantly in the fourth quarter of 2018 as investors were concerned about a long list of issues, including slowing growth, tightening global liquidity, Chinese–U.S. trade protectionism, corporate leverage and U.S. political gridlock. The Federal Reserve (Fed) raised the federal funds rate by 0.25 percentage points for the fourth time in 2018, putting the target range at 2.25% to 2.50%, and lowered its interest rate policy expectations for 2019 from four to three hikes. Although the yield curve briefly steepened in response to the Fed's meeting, driven by a fall in short-end yields, the quarter was still characterized by a strong flattening of the Treasury curve.

In the U.S., market volatility spiked in the fourth quarter fueled by concerns about rising interest rates, trade issues and the specter of slowing global growth. The year's second major equity market sell-off began in October and continued through December. The quarter's volatility began as a sharp decline in oil prices, coupled with disruptions from U.S./China trade tensions and the Federal Reserve's continued normalization of U.S. interest rate policy, spurred investors to pull back from riskier investments, including equities.

Global bond yields were generally lower during the quarter as uncertainty about Brexit, global trade and the Italian government's fiscal spending plans weighed on riskier investments. Corporate bonds declined and underperformed government bonds as investors lowered their appetites for risk. High-yield bonds produced the worst return within the asset class and markedly underperformed investment grade bonds, while bonds with longer durations outperformed shorter duration bonds.

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?

- Funds with higher allocation to fixed income benefitted. Within the asset class, domestic bonds were the best performing followed by International bonds and short-term bonds.
- With the large sell-off in the equity market, exposure to low volatility helped soften the downturn.

What hurt the Funds' performance during the quarter?

- U.S. equities had the largest decline during the quarter. Small cap domestic equities were hit the hardest, down about 20%. Non-US equities fared a bit better during the quarter, but were still in negative territory.
- Within Fixed Income, exposure to high yield detracted from performance as credit spread widened during the quarter.

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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1290 Avenue of the Americas, New York, NY 10104

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