

# First Investors Funds

# First Investors Covered Call Strategy Fund

## Ticker

FRCCX (Class A)  
FRCDX (Advisor)  
FRCEX (Institutional)

## Fund Inception Date

4/1/16 (All classes)

## Dividend Distribution

Quarterly

## Benchmark

CBOE S&P 500 Buy Write Index  
The Standard & Poor's 500 Index

## Morningstar Category

Options-based

## Number of Holdings as of 3/31/19

Equity Holdings 39  
Covered Call Options 41

## Portfolio Managers

Foresters Investment Management Company, Inc. is the Fund's investment adviser and Ziegler Capital Management, LLC serves as subadviser to the Fund.

Wiley D. Angell, since 2016  
(Ziegler)

Sean C. Hughes, CFA, since 2016  
(Ziegler)

## Market Overview

To say the U.S. stock market rebounded during the first quarter from the volatility and turmoil experienced at the end of 2018 would be an understatement. The S&P 500 Index gained 13.65% during the first quarter—its best first quarter total return since 1998. The Index erased most of its losses incurred during the market sell-off from September 21 through December 24 of last year, fueled by a dovish Federal Reserve (Fed) and hopes for a resolution to U.S.-China trade negotiations. At the same time, it is important to note that the S&P 500 is still below its 2018 peak reached last September, with the pace of economic growth expected to slow this year. Also, investor complacency, which vanished during the volatile end of last year, quickly returned in 2019 as calculated by the VIX Index.

As evidenced by the strong showing of the S&P 500, most stocks started the year off with a bang. Small-cap and mid-cap stocks experienced a very strong quarter as well, with the Russell 2000 Index and the S&P 400 Mid-Cap Index gaining 14.58% and 14.49%, respectively. Value stocks (as measured by the Russell 1000 Value Index) returned 11.93%, lagging growth stocks (as measured by the Russell 1000 Growth Index) which returned 16.10% from January through March. However, the forward price-to-earnings (P/E) ratio<sup>1</sup> for the growth index is 21.3 compared to a forward P/E of 14.7 for the value index, which is indicative of a 44.8% premium. Value has continued to struggle compared to growth-style investing since late 2016.

All 11 S&P 500 sectors posted gains for the quarter, with Information Technology (19.86%) being the strongest sector, followed by Real Estate (17.53%) and Industrials (17.20%). Healthcare was the weakest performer at 6.59%, impacted by renewed efforts to repeal the Affordable Care Act (Obamacare). Financials were the second weakest sector, returning 8.56%, due to concerns about the potential impact on profitability from declining interest rates and a flattening yield curve.

## Performance Review

The S&P 500 Index had its best quarterly return since 2009, returning 13.65% during the first quarter. The First Investors Covered Call Strategy Fund benefited from both stock selection and active option selection during the quarter, resulting in a total return of 10.63% (Advisor shares). These factors helped create higher than normal upside capture of 81%<sup>2,3</sup> in a very strong market environment. In contrast, the covered call benchmark, the CBOE S&P 500 BuyWrite BXM Index, had upside capture of only 50% during the quarter, resulting in a return of 6.77%. The Fund's outperformance of 386 basis points (bps) during the quarter was composed of positive excess return from call options and from the Fund's stock selection. The call options outperformed for three main reasons: first, the volatility spike allowed us to "lock-in" high call premiums on longer-term options, which gradually decayed over the course of the first quarter; second, the spike during the fourth quarter also allowed us to sell further out-of-the-money<sup>4</sup> options while maintaining attractive premiums, thus allowing for more upside participation when stocks rallied; and, finally, the single stock call options in the Fund tend to provide higher premiums than the Index options of the CBOE S&P 500 BuyWrite BXM Index. The stocks in the Fund outperformed primarily from positive stock selection, with a smaller benefit from allocation. Stock selection was strong in Consumer Staples and Healthcare, but detracted from returns in Energy. Overweight allocations detracted from returns in Financials and Materials, but was positive in Information Technology, as it was the best-performing sector during the quarter for both the benchmark and the Fund.

<sup>1</sup> Forward price-to-earnings (forward P/E) is a version of the ratio of price-to-earnings (P/E) that uses forecasted earnings for the P/E calculation.

<sup>2</sup> Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return.

<sup>3</sup> Source: Ziegler, 3/31/19.

<sup>4</sup> Out-of-the-money option has an exercise, or strike price, above (for a call option) or below (for a put option) the market price of the underlying asset. The value of such an option has only time value and no intrinsic value.

# First Investors Covered Call Strategy Fund

## Outlook

The Fund is invested in attractively valued equities with strong fundamentals and a bias toward U.S.-based earnings. Earnings per share<sup>5</sup> for the stocks in the Fund are expected to grow 7.9%<sup>4</sup> over the next twelve months, slower than the past 12 months, but close to its long-term average. The stocks are more attractively valued than the S&P 500, with a forward price-to-earnings rate of 14.3 for the stocks in the Fund versus 16.5 for the S&P 500 Index<sup>6</sup>. The Fund is underweight the Healthcare sector, as there is increasing discussion from both political parties regarding regulating prices, particularly for pharmaceuticals. The Fund is also underweight Communication Services due to increasing risk of government regulation and privacy concerns surrounding social media and advertising companies. The call options in the Fund ended the quarter with an average strike price<sup>7</sup> that was 1.7% above existing stock prices and 2.4 months to expiration<sup>8</sup>. As implied volatility has receded, we have been favoring shorter-term options with strike prices only slightly out-of-the-money. This results in less upside participation potential in strong market rallies, but more downside protection from the higher-call premiums that are received from writing call options with strike prices closer to existing stock prices.

## Average Annual Total Return Performance as of 3/31/19 (%)

Class	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Gross (%)	Net (%)
A (without sales charge)	10.69	10.69	2.43	–	–	–	5.18	4/1/16	1.28	1.30
A (with sales charge)	4.36	4.36	-3.47	–	–	–	3.12	4/1/16	1.28	1.30
Advisor	10.63	10.63	2.58	–	–	–	5.46	4/1/16	1.03	1.03
Institutional	10.82	10.82	2.85	–	–	–	5.65	4/1/16	0.89	0.89
CBOE S&P 500 Index	6.77	6.77	3.29	7.42	5.95	8.95	–	6/30/86	–	–
S&P 500 Index	13.65	13.65	9.50	13.51	10.91	15.92	–	9/11/89	–	–
Options-based	6.83	6.83	3.07	4.93	3.54	5.01	–	12/7/77	–	–

Returns for periods less than one year are cumulative and not annualized.

## Top Ten Holdings as of 3/31/19 (%)

Holding	Industry	% of Total
Apple, Inc.	Technology	5.3%
Microsoft Corp.	Technology	5.0%
Medtronic, PLC	Healthcare	5.0%
Cisco Systems, Inc.	Technology	4.7%
Chevron Corp.	Energy	4.4%
Honeywell International, Inc.	Industrials	4.4%
JPMorgan Chase & Co.	Financial Services	4.2%
Costco Wholesale Corp.	Consumer Defensive	4.1%
Mastercard, Inc.	Financial Services	3.8%
Broadcom, Inc.	Technology	3.6%

## Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012
A (without sales charge)	-10.83	10.94	–	–	–	–	–
Advisor	-10.58	11.40	–	–	–	–	–
Institutional	-10.51	11.57	–	–	–	–	–
CBOE S&P 500 Index	-4.77	13.00	7.07	5.24	5.64	13.26	5.20
S&P 500 Index	-4.38	21.83	11.96	1.38	13.69	32.39	16.00
Options-based	-5.49	8.58	4.19	-0.75	4.22	12.05	5.89

<sup>5</sup> Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock.

<sup>6</sup> Source: Ziegler, 3/31/19.

<sup>7</sup> Average Strike Price is the arithmetic average of all the options strike prices within a portfolio. Strike price is the price at which a derivative contract can be bought or sold.

<sup>8</sup> Source: Ziegler, 3/31/19.

## First Investors Covered Call Strategy Fund

### Glossary

The **Standard & Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **CBOE S&P 500 Buy Write Index** is designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that Index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The **S&P 400 MidCap Index** is a capitalization weighted index of 400 publicly-traded companies with a medium amount of market capitalization.

The **Russell 1000 Value Index** measures the performance of the large-capitalization segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 1000 Index is a subset of the Russell 3000® Index representing approximately 90% of the total market capitalization of that Index.

The **Russell 1000 Growth Index** measures the performance of the large-capitalization growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Index is a subset of the Russell 3000® Index, representing approximately 90% of the total market capitalization of that Index.

The **Morningstar Options-based Category** consists of portfolios that use options as a significant and consistent part of their overall investment strategy.

The **CBOE Volatility Index** (or VIX) is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE).

All investments involve risk, including possible loss of principal. You can lose money by investing in a fund. There is no guarantee that the Fund's investment objective will be achieved. The principal risks of investing in this Fund are: American Depository Receipts Risk, Call Options Risk, Dividend Risk, Exchange-Traded Funds Risk, High Portfolio Turnover and Frequent Trading Risk, Market Risk, Mid-Size and Small-Size Company Risk, Sector Risk, Security Selection Risk and Tax Risk.

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance and expense ratios may be higher or lower than the data quoted. Performance of share classes will differ because each class is sold pursuant to different sales arrangements and bears different expenses. The Class A returns shown with sales charges are based on the maximum sales charge of 5.75%. Returns may reflect waivers or reimbursements of certain expenses. Absent these waivers or reimbursements, returns would be lower. To obtain more current performance data as of the most recent month-end, please visit [firstinvestorsfunds.com](http://firstinvestorsfunds.com).

These views represent the opinions of Foresters Financial and are not intended as investment advice or to predict or depict the performance of any investment. These views are as of the close of business on March 31, 2019, and are subject to change based on subsequent developments. We disclaim any responsibility to update such views. The Fund's portfolios and strategies are subject to change.

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