First Investors Funds

First Investors Hedged U.S. Equity Opportunities Fund

Ticker

FHEJX (Class A)
FHEKX (Advisor)
FHELX (Institutional)

Fund Inception Date

8/1/16 (All shares)

Dividend Distribution

Annual

Benchmark

70% Russell 3000 Index
30% BofA ML 3 Mo T-Bill Index

Morningstar Category

Options-based

Number of Holdings as of 3/31/19

Equity Holdings: 275
Futures and Options: 7

Portfolio Managers

Foresters Investment Management Company, Inc. is the Fund's investment adviser and Wellington Management Company LLP serves as subadviser of the Fund.

Gregg R. Thomas, CFA, since 8/1/16 (Wellington)

Roberto Isch, CFA, since 12/31/18

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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) ratio1 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 First Investors Hedged U.S. Equity Opportunities Fund posted a positive return of 10.11% (Advisor Class), outperforming its custom index (70% Russell 3000 & 30% BofA ML 3Mo T-bill) 9.92% return during the quarter. This outperformance was driven by its equity strategies, which showed strong absolute performance as well as relative outperformance due to security selection. The Fund's hedging strategy detracted from performance during the quarter as equity markets rallied.

Within the equity strategies, security selection contributed strongly, particularly in the Healthcare, Information Technology and Financials sectors. Outperformance was partially offset by weaker selection in the Energy and Consumer Discretionary sectors. Sector allocation, a residual of the bottom-up stock selection process of the underlying managers, detracted from results, with our underweight to Information Technology and our overweight to Financials detracting the most. This was partially offset by our overweight allocations to Industrials and Real Estate. Our out-of-index exposure to SS&C Technologies and underweight position in Berkshire Hathaway were the top contributors to relative performance, while our decision not to hold Apple and our out-of-index exposure to Markel detracted.

The beta hedge, which is designed to reduce the Fund's equity exposure through selling futures on U.S. indices, detracted from results as these indices were up during the period. The Fund's market tail risk management strategy, which is designed to mitigate capital losses in periods when equities experience a sharp decline, also detracted from the result during the period.

Outlook

The economic cycle in the U.S. turned increasingly negative during the first quarter. While improving trade relations have manifested in reduced consumer consumption headwinds and an uptick in March industrial production, we continue to expect further slowing as home buying intentions and durable goods orders remain weak. Inflation has disappointed throughout the quarter, allowing the Federal Reserve (Fed) to maintain its patient, data-dependent approach to rate policy. Key risks going forward include the potential for an inflation surprise and declining corporate profits, as both could be byproducts of wage growth in the tight labor market. Unexpected inflation moves may force the Fed to act more decisively than currently anticipated. We expect continued market volatility as a result of these uncertainties.

Against this backdrop, we have continued to see downward pressure on corporate earnings revisions across market capitalization and sector. The magnitude of these revisions is such that they are at the bottom end of the ranges we have observed over the past 15 years. The breadth of negative revisions, however, varies across sectors and suggests opportunity for fundamental equity research teams to separate winners from losers. Analyst sentiment shifted broadly negative during the quarter, also spanning capitalizations and sectors. Additionally, the rise in some measures of dispersion[1] (i.e., there is a higher number of stocks with excess return +/- 25%) indicates continued opportunity for active managers.

As ever, we remain vigilant in managing risk across the Fund and look to mean-reversion[2] and trend-following factor exposures to provide upside participation and risk-aversion factor exposures to mitigate downside risk. This should smooth the path of performance and mitigate the cyclicality of style-factor exposures, while the low overlap across allocations preserves the Fund's opportunity to generate alpha from fundamental security selection.

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	Expense Ratio Gross (%)	Net (%)
A (without sales charge)	10.00	10.00	6.17	–	–	–	6.72	8/1/16	1.76	1.76
A (with sales charge)	3.65	3.65	0.09	–	–	–	4.38	8/1/16	1.76	1.76
Advisor	10.11	10.11	6.59	–	–	–	7.07	8/1/16	1.40	1.42
Institutional	10.18	10.18	6.67	–	–	–	7.20	8/1/16	1.39	1.39
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	9.92	9.92	7.05	9.80	7.54	11.31	–	–	–	–
Russell 3000 Index	14.04	14.04	8.77	13.48	10.36	16.00	–	12/31/78	–	–
BofA 3-month Treasury Bill	0.60	0.60	2.12	1.19	0.74	0.43	–	12/31/78	–	–
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.

Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012
A (without sales charge)	-3.22	12.26	–	–	–	–	–
Advisor	-2.94	12.65	–	–	–	–	–
Institutional	-2.84	12.85	–	–	–	–	–
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	-2.90	14.72	9.07	0.60	8.80	22.65	11.46
Russell 3000 Index	-5.24	21.13	12.74	0.48	12.56	33.55	16.42
BofA 3-month Treasury Bill	1.87	0.86	0.33	0.05	0.03	0.07	0.11
Options-based	-5.49	8.58	4.19	-0.75	4.22	12.05	5.89

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

Holding	Industry	% of Total
American Tower Corp.	Comunication Services	1.5%
Johnson & Johnson	Healthcare	1.4%
American Express Co.	Financial Services	1.1%
Public Storage	Real Estate	1.1%
Canadian National Railway Co.	Industrials	1.1%
Amazon.com, Inc.	Consumer Cyclical	1.1%
McDonald's Corp.	Consumer Cyclical	1.1%
Coca-Cola Co.	Consumer Defensive	1.0%
Pfizer, Inc.	Healthcare	1.0%
PepsiCo, Inc.	Consumer Defensive	1.0%

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[1] Dispersion is a statistical term that describes the size of the range of values expected for a particular variable.

[2] Mean reversion is a theory used in finance that suggests that asset prices and historical returns eventually return back to the long-run mean or average level of the entire data set.

Glossary

The **Russell 3000 Index** is an unmanaged index that measures the performance of the largest 3,000 U.S. Companies, representing approximately 98% of the investable U.S. equity market.

The **BofA Merrill Lynch U.S. 3-Month Treasury Bill Index** tracks the performance of the U.S. dollar denominated U.S. Treasury Bills publicly issued in the U.S. domestic market with a remaining term to final maturity of less than 3 months.

The **Standard & Poor's 500 Index (S&P 500)** 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 **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: Derivatives Risk, Emerging Markets Risk, Foreign Securities Risk, Hedging Risk, Multi-Style Risk, Quantitative Strategies Risk, Exchange-Traded Funds Risk, Market Risk, Mid-Size and Small-Size Company Risk, Security Selection Risk, High Portfolio Turnover and Frequent Trading 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.

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For more information about First Investors Funds and variable products from Foresters Financial Services, Inc., you may obtain a free prospectus and summary prospectus by contacting your Financial Services Representative, calling 800 423 4026 or visiting firstinvestorsfunds.com. You should consider the investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the funds, and should be read carefully before you invest or send money. An investment in these funds is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Neither Foresters Financial Services, Inc. nor its affiliates offer legal or tax advice. Please consult your tax adviser before making any tax-related retirement decisions.

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