2019 First Quarter Fund Commentary

First Investors Funds

First Investors Premium Income Fund

Ticker

FPIKX (Class A)
FPILX (Advisor)
FPIMX (Institutional)

Fund Inception Date

4/2/18 (All classes)

Dividend Distribution

Quarterly

Benchmark

CBOE S&P 500 Buy Write (BXM) Index

Morningstar Category

Options-based

Number of Holdings as of 3/31/19

Equity Holdings 55
Covered Call Options 146

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 2018 (Ziegler)

Sean C. Hughes, CFA, since 2018 (Ziegler)

Market Overview

The change in Fed policy this quarter resulted in yields falling across the entire yield curve as yields for U.S. Treasury bonds between 1-year and 30-years fell by 21 to 28 basis points. This resulted in a particularly strong quarter for U.S. fixed income with the Bloomberg Barclays Aggregate Bond Index gaining 2.94% over the quarter.

Returns were positive across all of the fixed income sectors, including corporate, U.S. Treasury, agency, and mortgage-backed securities. In addition to lower yields benefiting prices, spreads in investment grade corporate bond prices tightened (decreased) by 32 basis points over the quarter, further contributing to rising bond prices.

The current fixed income environment is challenging because of the incredibly flat yield curve. This means that going further out on the yield curve by buying longer-maturity securities is likely to have a very small impact on the yield that is received. This can lead to purchases of lower credit quality securities in order to obtain a higher yield which, to our thinking, is simply trading interest rate risk for credit risk.

There has been a significant amount of attention focused on the recent "yield curve inversion" which means that a longer-term U.S. Treasury yield fell below a shorter-term yield. In this case, the yield on the widely watched 10-year U.S. Treasury yield fell below the yield for the 3-month U.S. Treasury bill yield which some view as a precursor to a recession. While this inversion is certainly worth noting, San Francisco Federal Reserve research has shown that comparing the 10-year U.S. Treasury yield to the 1-year U.S. Treasury yield had the most predictive ability in forecasting recessions. It is important to note that the 1-year and 10-year yields only slightly inverted, and very briefly, for a few days towards the end of March. The Fed research showed that a negative "term premium" or spread between the 10-year and 1-year U.S. Treasury yields preceded all of the recessions since 1955 with only one false positive when only an economic slowdown occurred.

Performance Review

The First Investors Premium Income Fund had a strong first quarter, producing a return of 5.81% (Advisor shares) versus 6.77% for the Fund's primary benchmark, the CBOE S&P 500 BuyWrite BXM Index, and outperforming the Bloomberg Barclays U.S. Aggregate Bond Index's 2.94% return. The Fund produced a higher-than-normal upside capture ratio of 45% relative to the S&P 500 Index during the quarter, as the call options in the Fund began the year at very attractive levels. The attractive call premiums at the start of the year, due to the implied volatility[1] spike during December, provided a nice tailwind to the Fund, as that level of volatility receded and the call options gradually decayed[2] over the course of the first quarter.

The return from the past two quarters produced a gain of 1.03% for the Fund, versus a return of -1.72% and -4.78% for the S&P 500 Index and CBOE S&P 500 BuyWrite BXM Index, respectively. The Fund outperformed both these indices with less risk during a particularly volatile period for the market. These results are attributed to not only the increased downside protection from the in-the-money[3] options in the Fund, but also their attractive return component.

While implied volatility declined during the first quarter, in-the-money, single-stock call premiums remain attractive. For example, the average implied volatility of the Fund's call options began the year at 30.0%, but declined to 25.4% by quarter-end, versus a quarter-end implied volatility of only 12.0% for the CBOE S&P 500 BuyWrite BXM Index at-the-money[4], 1-month index options. The Index ended the quarter with its call options providing only 1.4% downside protection, versus the Fund's call options providing 18.2% downside protection.

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[1] Implied volatility is the volatility percentage that produces the best fit for all underlying option prices on that underlying stock.

[2] Option decay is the reduction in value of an options contract as it reaches its expiration date.

[3] In-the-money options have exercise, or strike prices, below (for a call option) or above (for a put option) the market price of the underlying asset. The value of such options is nearly all intrinsic value and minimal premium.

[4] Source: Ziegler, 3/31/19.

First Investors Premium Income Fund

Since the Fund's inception, it has captured 63% of the return of the S&P 500 Index with only 38% of the risk of the S&P 500 Index[5]. These results are a testament to the benefits of writing in-the-money call options on single stocks, as opposed to index-based, at-the-money[6] options.

Outlook

The Premium Income Fund is invested in attractively valued equities with strong fundamentals and a bias toward U.S.-based earnings. Earnings per share for the stocks in the Fund are expected to grow 7.4%[7] over the next 12 months, slower than the past 12 months, but close to its long-term average. The stocks have been more attractively valued than the S&P 500, with a forward price-to-earnings ratio[8] of 13.2 for the stocks in the Fund versus 16.5 for the S&P 500 Index. The Fund is underweight the Healthcare sector, as there has been 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[9] that was 16.2% in-the-money and 5.6 months to expiration. While call premiums are lower than at the start of the year, we are still writing premiums at above average levels, based on the last five years. We will continue to closely monitor both the risk and the return characteristics of the investments in the Fund as we move forward into 2019.

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 (%)	Expense Ratio Net (%)
A (without sales charge)	5.80	5.80	–	–	–	–	3.98	4/2/18	1.37	1.30
A (with sales charge)	-0.26	-0.26	–	–	–	–	-2.00	4/2/18	1.37	1.30
Advisor	5.81	5.81	–	–	–	–	4.24	4/2/18	1.13	1.06
Institutional	6.05	6.05	–	–	–	–	4.50	4/2/18	1.06	0.99
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
Cisco Systems, Inc.	Technology	3.5%
American Express Co.	Financial Services	3.5%
Broadcom, Inc.	Technology	3.4%
Intel Corp.	Technology	3.4%
Medtronic, PLC	Healthcare	3.3%
Honeywell International, Inc.	Industrials	3.2%
Apple, Inc.	Technology	3.1%
Celgene Corp.	Healthcare	3.0%
Home Depot, Inc.	Consumer Cyclical	2.9%
BlackRock, Inc.	Financial Services	2.8%

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[5] Ibid

[6] At-the-money option has an exercise, or strike price, equal to the market price of the underlying asset. The value of such an option may only have time value and no intrinsic value.

[7] Source: Ziegler, 3/31/19.

[8] 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.

[9] 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.

Glossary

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

The **Bloomberg Barclays U.S. Aggregate Bond Index** is a market capitalization-weighted index. Most U.S. traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected Securities are excluded due to tax treatment issues. The index includes U.S. Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the U.S.

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

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.

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