

First Investors Funds

First Investors Tax Exempt Income Fund

Ticker

FITAX (Class A)
FITDX (Advisor)
FITEX (Institutional)

Fund Inception Date

8/3/77 (Class A)
5/1/13 (Advisor and Institutional)

Dividend Distribution

Monthly

Benchmark

Bloomberg Barclays 1-15 Year Municipal Index¹

Morningstar Category

Muni National Intermediate

Number of Holdings as of 3/31/19

142

Portfolio Managers

Clark Wagner, since 1991
Patrick Tucci, CFA, since 2016
Timothy Pynchon, CFA, since 2018
(Green Square)

Foresters Investment Management Company, Inc. is the Fund's investment adviser and Green Square Asset Management, LLC serves as the subadviser to the high yield portion of the Fund.

Overall Morningstar Rating



Class A shares rated 4 overall stars by Morningstar among 258 U.S. Muni National Intermediate funds for the period ended 3/31/19 based on risk-adjusted performance.²

Foresters 
Financial

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 Tax Exempt Income Fund returned 2.27% (Advisor Class) for the first quarter versus 2.51% for its benchmark, the Barclays Bloomberg Municipal 1-15 Year Index. We worked diligently throughout the entire quarter to move bonds out of the short end of the yield curve, where we previously had a large overweight, and into the 11- to 15-year range as we determined there was not significant value remaining in the five- to 10 year range following its large outperformance in January. Although we moved out on the yield curve, our overall portfolio duration (meaning the Fund's sensitivity to interest rate movements) remained less than our Morningstar peers.³ The sensitivity to the Fund's distribution yield and the need to retain older, short-dated legacy securities has had a drag on performance through March as the less than three-year segment of the curve underperformed for the month and the quarter (83 basis points (bps) and 153 bps, respectively).

Shorter duration and an overweight in the 0 to 3 years were the biggest contributors to the Fund's underperformance. We also increased the Fund's exposure to high yield securities which proved to be additive to performance for the quarter.

¹ Effective January 31, 2019, the portfolio's benchmark changed from the ICE BofA ML U.S. Municipal Master Index to the Bloomberg Barclays 1-15 Year Municipal Index.

² For the three-, five- and 10-year periods, respectively, the Fund was rated 4, 4 and 4 stars among 258, 227 and 149 funds in the U.S. Muni National Intermediate category for the time periods ended 3/31/19. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Past performance is no guarantee of future results.

³ Muni National Intermediate Funds peer group

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Outlook

Market technicals were positive in the first quarter and we expect that trend to continue for the remainder of the year. The difference between municipal bond supply and demand had an impact on performance in the first quarter, but not as much as the significant move in interest rates. Fund flows into municipal bond funds for the quarter were the largest on record. We expect this to continue as fixed income in general should perform well as economic growth globally and in the U.S. is slowing. Municipal bonds will benefit from a constructive interest rate environment and because of their tax-exempt status. Fund flows continued unabated as the impact of tax reform (specifically the reduction in the state and local tax deduction) has driven most of the historic fund flows to date as municipal securities remain one of the last tax-efficient investment vehicles. We expect this demand scenario to continue which should outpace supply, creating solid support for the asset class.

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)	2.33	2.33	3.58	1.50	2.70	3.86	–	8/3/77	0.96	0.91
A (with sales charge)	-1.77	-1.77	-0.51	0.14	1.85	3.44	–	8/3/77	0.96	0.91
Advisor	2.27	2.27	3.86	1.79	3.01	–	2.20	5/1/13	0.71	0.66
Institutional	2.52	2.52	4.04	1.67	2.91	–	2.19	5/1/13	0.69	0.64
Bloomberg Barclays 1-15 Year Municipal Index	2.51	2.51	5.09	2.31	3.05	3.84	–	12/31/01	–	–
Muni National Intermediate	2.67	2.67	4.52	2.09	2.99	4.08	–	12/1/76	–	–

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)	0.11	3.05	0.14	2.53	8.88	-3.18	7.23
Advisor	0.49	3.28	0.50	2.80	9.17	-3.38	7.23
Institutional	0.52	3.40	-0.13	2.69	9.14	-3.08	7.23
Bloomberg Barclays 1-15 Year Municipal Index	1.58	4.33	0.01	2.83	6.36	-1.05	4.75
Muni National Intermediate	0.77	4.46	-0.23	2.50	6.29	-2.34	5.55

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

Holdings	% of Total
NYC Municipal Water Authority, 6.000%, 06/15/2021	3.7%
Port Authority of NY & NJ, 5.000%, 09/15/2025	2.8%
Miami-Dade Cnty FI Sch Brd COP, 5.000%, 05/01/2028	2.1%
Superior WI Ltd Oblig Rev, 6.900%, 08/01/2021	2.1%
New York State Thruway Auth Rev, 5.000%, 01/01/2031	2.0%
New York St Dorm Auth Revs NYU, 5.750%, 07/01/2027	1.9%
Salt Lake City UT Arpt Rev, 5.000%, 07/01/2036	1.8%
Utility Debt Sec Auth NY, 5.000%, 12/15/2037	1.8%
New York State Urban Dev. Corp. Rev., 5.000%, 03/15/2035	1.8%
Mass State Sch Bldg Auth, 5.000%, 08/15/2037	1.8%

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Glossary

The **Bloomberg Barclays 1-15 Year Municipal Index** is the 1-15 year component of the Bloomberg Barclays Municipal Bond Index. The Index is a broad measure of the municipal bond market with maturities of between one and fifteen years.

The **ICE BofA ML U.S. Broad Market Index** tracks the performance of U.S. dollar denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, quasi-government, corporate, securitized and collateralized securities.

The **ICE BofA ML U.S. Corporate Master Index** is an unmanaged index comprised of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one year remaining to final maturity.

The **ICE BofA ML Treasury Master Index** measures the total return performance of U.S. Treasury bonds with an outstanding par that is greater than or equal to \$25 million.

The **ICE BofA ML Municipal Securities Master Index** measures total return on tax exempt investment grade debt publicly issued by U.S. states and territories, and their political subdivisions, including price and interest income, based on the mix of these bonds in the market.

The **Morningstar Muni National Intermediate Category** invests in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.5 to 7.0 years.

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 the Fund are: Call Risk, Credit Risk, Derivatives Risk, High Yield Securities Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Municipal Securities 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 current maximum sales charge of 4.00%. 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.

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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