

First Investors Funds

First Investors Tax Exempt Opportunities Fund

Ticker

EIITX (Class A)
EIIAX (Advisor)
EINX (Institutional)

Fund Inception Date

7/26/90 (Class A)
5/1/13 (Advisor and Institutional)

Dividend Distribution

Monthly

Benchmark

ICE BofA Merrill Lynch Municipal Securities Master Index

Morningstar Category

Muni National Long

Number of Holdings as of 3/31/19

311

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



Advisor shares rated 3 overall stars by Morningstar among 147 U.S. Muni National Long funds for the period ended 3/31/19 based on risk-adjusted performance.¹

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 Opportunities Fund returned 3.05% (Advisor Class) for the first quarter outperforming its benchmark's (ICE BofA ML Muni Index) 2.95% return. The Fund had a longer overall duration profile than its Morningstar peer group's² average which was a positive for performance.

The Fund marginally underperformed its peer average for the quarter with the biggest positive contributor being its curve placement and longer duration relative to peers. The Fund was slightly longer duration than the peer average and had an overweight in longer-dated securities 22+ years. We traded out of the Fund's overweight positions in the short-end of the curve which was also helpful as we significantly reduced weightings in an underperforming segment.

¹ For the three-, five- and 10-year periods, respectively, the Fund was rated 2, 3 and 2 stars among 147, 132 and 111 funds in the U.S. Muni National Long 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

² Municipal National Long Duration 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 (%) | Expense Ratio Net (%) |
|---|-------|-------|--------|---------|---------|----------|-----------------|----------------|-------------------------|-----------------------|
| A (without sales charge) | 2.95 | 2.95 | 4.05 | 1.68 | 3.25 | 4.54 | – | 7/26/90 | 0.95 | 0.95 |
| A (with sales charge) | -1.19 | -1.19 | -0.09 | 0.31 | 2.41 | 4.11 | – | 7/26/90 | 0.95 | 0.95 |
| Advisor | 3.05 | 3.05 | 4.34 | 1.90 | 3.45 | – | 2.43 | 5/1/13 | 0.84 | 0.84 |
| Institutional | 2.94 | 2.94 | 4.02 | 1.73 | 3.33 | – | 2.40 | 5/1/13 | 0.70 | 0.70 |
| ICE BofA ML Municipal Securities Master Index | 2.95 | 2.95 | 5.22 | 2.71 | 3.82 | 4.97 | – | 12/30/88 | – | – |
| Muni National Long | 3.27 | 3.27 | 4.96 | 2.55 | 3.88 | 5.05 | – | 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) | -0.44 | 3.91 | 0.13 | 3.08 | 11.46 | -4.97 | 8.92 |
| Advisor | -0.18 | 4.08 | 0.23 | 3.31 | 11.55 | -5.09 | 8.92 |
| Institutional | -0.71 | 4.10 | 0.41 | 3.24 | 11.57 | -4.85 | 8.92 |
| ICE BofA ML Municipal Securities Master Index | 1.04 | 5.42 | 0.44 | 3.55 | 9.78 | -2.89 | 7.26 |
| Muni National Long | 0.29 | 5.71 | 0.00 | 3.07 | 10.58 | -4.59 | 8.87 |

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

| Holdings | % of Total |
|---|------------|
| California Edl Facs Auth Rev, 5.000%, 03/15/2039 | 4.2% |
| Northwest ISD GO, 5.000%, 02/15/2042 | 2.6% |
| Rockwall TX Indep Sch Dist, 5.000%, 02/15/2046 | 2.5% |
| Los Angeles Cnty CA MTA, 5.000%, 07/01/2044 | 2.0% |
| Honolulu Hawaii City & Cnty, 5.000%, 07/01/2040 | 2.0% |
| New York State Urban Dev. Corp. Rev., 5.000%, 03/15/2037 | 1.9% |
| Wisconsin State, 5.000%, 05/01/2032 | 1.7% |
| New York State Thruway Auth Rev, 5.000%, 01/01/2031 | 1.6% |
| New York St Dorm Auth Sales Tax Revenue, 5.000%, 03/15/2042 | 1.6% |
| North Carolina Tpk Auth, 5.000%, 01/01/2036 | 1.6% |

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Glossary

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 Long 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 more than 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 Portfolio Turnover and Frequency Trading 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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