

First Investors Funds

First Investors Covered Call Strategy Fund

Ticker

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

Fund Inception Date

4/1/2016 (All classes)

Dividend Distribution

Quarterly

Benchmark

CBOE S&P 500 Buy Write (BXM) Index
S&P 500 Index

Morningstar Category

Options-based

Number of Holdings as of 9/30/18

Equity Holdings 38
Covered Call Options 45

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

Despite simmering trade tensions, U.S. equities produced their best quarter in nearly five years as stocks were fueled by strong U.S. economic growth and upbeat corporate earnings. Economic data supporting the rally included second quarter GDP of 4.2%, September's U.S. consumer confidence hitting its highest level since 2000 and average monthly initial jobless claims falling to the lowest level in almost 50 years.¹

Large-cap stocks, which lagged last quarter, were the strongest market capitalization. The S&P 500 Index returned 7.71%, its best quarter since the fourth quarter of 2013. The Dow Jones Industrial Average outperformed other major indexes with a gain of 9.63% and small caps (measured by the Russell 2000 Index) gained 3.58% for the quarter. Small caps continued to outperform the broad market for the year as they are mostly domestic-centric companies and, therefore, are less impacted by international trade tensions.

As part of a wider restructuring of the Global Industry Classification Standards, the Telecommunication Services sector was replaced by Communication Services which now includes several FAANG² names such as Alphabet, Facebook and Netflix.³ This move dramatically alters the sector's characteristics, incorporating a higher risk/return profile at the expense of its historically greater dividend yields. Health Care, which benefited from a sector rotation accompanied by receding regulatory fears, was the best performing sector for the quarter with a return of 14.53%, outpacing Information Technology which gained 8.80%.

Performance Review

The First Investors Covered Call Strategy Fund returned 5.90% (Advisor Class) during the third quarter vs. 4.91% for the benchmark CBOE S&P 500 Buy Write Index (BXM), resulting in an excess return of 99 basis points (bps) over the BXM Index. Both the stocks and the call options in the Fund outperformed the benchmark. The stocks in the Fund returned 8.00% during the quarter, outperforming the S&P 500 Index by 29 bps and outperforming the S&P 500 Value Index by 214 bps. The outperformance was mainly due to positive sector allocation overall and positive stock selection within Industrials and Communication, offset by negative stock selection in Discretionary and Energy. Growth stocks outperformed value stocks again during the quarter, with an excess return of 342 bps, a lesser excess return than the 385 bps in the second quarter and 551 bps in the first quarter⁴. Growth has outperformed value by 13.73% year-to-date and 47.66% over the past five years. Despite the outperformance of growth stocks in the third quarter, the Fund's stocks kept pace with the market during the first two months and outperformed during September. The call options in the Fund also outperformed compared to the call options in the BXM Index by 85 bps during the quarter. These options began the quarter 8.3% out-of-the-money, allowing the Fund to capture more upside compared to the benchmark's at-the-money call options, which can limit upside participation during strong equity market rallies. To a lesser extent, the call option outperformance was also due to the single-stock call options in the Fund providing more call premium than the Index options of the benchmark, a consistent feature of the Fund relative to the BXM Index.

¹ Source: Bloomberg, 9/30/18. Represents quarter-over-quarter, annualized.

² FAANG stocks also include Amazon and Apple. Google has re-branded itself as Alphabet.

³ Source: MSCI, "The New GICS Communication Services Sector." This was part of a major restructuring of the Global Industry Classification Standards that occurred on 9/24/18, and saw several sectors reclassified.

⁴ Source: Morningstar. Growth represented by S&P 500 Growth Index and Value represented by the S&P 500 Value Index.

First Investors Covered Call Strategy Fund

Outlook

The Fund is invested in attractively valued equities with strong fundamentals. The stocks are more attractively valued than the S&P 500, with a forward price-to-earnings rate of 14.5 for the stocks in the Fund versus 16.8 for the S&P 500. As a result of the strong earnings growth and the potential for price appreciation, we have positioned call options above existing stock prices as we enter the fourth quarter (the call options average 3.8% out-of-the-money).

In addition to increased dividends and share buybacks, companies may use the windfall from last year's tax reform legislation to boost capex spending. Therefore, we have positioned the Fund toward companies likely to benefit from higher capex, particularly Industrials, but also Energy and Telecom capex investment as oil prices have strengthened and telecoms have built out their 5G capabilities. An infrastructure package would be an additional tailwind to such stocks. We believe the Federal Reserve is likely to continue with more interest rate increases through 2019, and we have positioned the portfolio accordingly, with an overweight in Financials, which benefit from higher rates as well as deregulation, and an underweight in the bond-proxy sectors.

While after-tax S&P 500 earnings growth are expected to slow to 13.1% over the next twelve months, the growth rate is nearly double the long-term average, and is above the all-time record level of earnings. It's not only corporate earnings that have surpassed record levels, but also corporate profit margins. Also, consumers are in a strong financial position as their balance sheets are healthy and households have been saving more than 6% of their disposable income every year for the past five years, a rate rarely seen during the last cycle. Recession risk has historically been low during periods when corporate profitability is elevated and consumers have a high propensity to save which should allow the current expansion to continue well into 2019.

Average Annual Total Return Performance as of 9/30/18 (%)

Class	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Expense Ratio	
									Gross (%)	Net (%)
A (without sales charge)	5.80	2.81	6.79	-	-	-	8.00	4/1/2016	1.36	1.30
A (with sales charge)	-0.25	-3.12	0.67	-	-	-	5.47	4/1/2016	1.36	1.30
Advisor	5.90	3.04	7.09	-	-	-	8.33	4/1/2016	1.06	0.97
Institutional	5.88	3.09	7.19	-	-	-	8.49	4/1/2016	0.96	0.84
CBOE S&P 500 Buy Write Index	4.91	6.78	9.76	10.34	9.00	6.65	-	6/30/1986	-	-
S&P 500 Index	7.71	10.56	17.91	17.31	13.95	11.97	-	9/11/1989	-	-
Options-based	3.33	3.14	5.11	6.75	4.80	3.54	-	12/7/1977	-	-

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

Top Ten Holdings as of 9/30/18 (%)

Holding	Industry	% of Total
Apple, Inc.	Technology	5.7
Medtronic, PLC	Healthcare	4.8
Mastercard, Inc.	Financial Services	4.8
Microsoft Corp.	Technology	4.6
JPMorgan Chase & Co.	Financial Services	4.2
Honeywell International, Inc.	Industrials	4.1
Chevron Corp.	Energy	3.9
Cisco Systems, Inc.	Technology	3.8
Costco Wholesale Corp.	Consumer Defensive	3.5
DowDuPont, Inc.	Basic Materials	3.4

Calendar Year Returns (%)

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

First Investors Covered Call Strategy Fund

Glossary

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

The Standard & Poor's 500 Growth Index (S&P 500 Growth) is a capitalization-weighted index of 500 stocks that exhibit strong growth characteristics.

The Standard & Poor's 500 Value Index (S&P 500 Value) is a capitalization-weighted index of 500 stocks that exhibit strong value characteristics.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

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, Market Risk, Mid-Size and Small-Size Company Risk, Security Selection Risk, High Portfolio Turnover Risk and Tax Risk. Past performance is no guarantee of future results.

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 foresters.com.

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