

# First Investors Funds

# First Investors Tax Exempt Opportunities Fund

## Ticker

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

## Fund Inception Date

7/26/1990 (Class A)  
5/1/2013 (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 9/30/18

129

## 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 3 overall stars by Morningstar among 146 U.S. Muni National Long funds for the period ended 9/30/18 based on risk-adjusted performance.<sup>1</sup>

## Market Overview

As widely anticipated, the Federal Reserve (Fed) increased its benchmark interest rate by 25 basis points (bps) in September. The Fed is expected to maintain a gradual pace of rate hikes while it continues to steadily shrink its balance sheet. The benchmark 10-year U.S. Treasury note yield rose 20 bps in September to 3.06%, up from 2.86% at the end of August and 2.86% at the end of June.

Fixed income markets in the U.S. experienced mixed performance for the quarter with credit-related sectors significantly outperforming interest rate-sensitive sectors. The broad U.S. fixed income market (measured by the ICE BofA ML U.S. Broad Market Index) was flat, while U.S. Treasury bonds were the weakest sector for the quarter with the ICE BofA ML Treasury Master Index losing -0.66%. Investment grade corporate bonds (measured by the ICE BofA ML Corporate Master Index), while losing some ground in September, posted their first positive quarter this year (0.96%). Municipal bonds (measured by the ICE BofA ML Municipal Securities Master Index) held up slightly better than U.S. Treasuries, down -0.25% for the quarter, benefiting from lower muni issuance levels this year. Leveraged loans (measured by the Credit Suisse Leveraged Loan Index) outperformed U.S. Treasuries in the rising rate environment, up 1.93% for the quarter, and remain the strongest domestic fixed income market this year, up 4.36%. The high yield market (measured by the ICE BofA ML US HY Cash Pay Constrained Index), helped in part by a risk-on sentiment, was the strongest fixed income market during the quarter, returning 2.38%.

Most sovereign bond markets (in local currencies) had mixed quarterly performance. Among developed countries, Italian bonds saw increased volatility over the past few months and remained the worst local market for 2018. As a whole, the FTSE World Government ex U.S. Bond Index lost -2.19% for the quarter, hurt by a negative currency exchange effect due to an appreciating U.S. dollar. Emerging Markets (EM) fixed income has struggled this year but staged a nice recovery towards the end of the quarter with dollar-denominated EM debt (measured by the ICE BofA ML Global Emerging Market Sovereign Index) gaining 2.29% for the quarter. Overall, EM fixed income, with a year-to-date loss of -5.5%, has been hurt by an appreciating U.S. dollar, trade tensions, rising U.S. yields and weaker-than-expected growth in China, and continues to be the weakest fixed income market.

## Performance Review

The First Investors Tax Exempt Opportunities Fund was down -0.64% (Advisor class) for the third quarter vs. -0.25% for Fund's benchmark. There were two large contributors to underperformance this quarter. First, the Fund had a significant overweight position in the long-end of the yield curve which underperformed the overall market by 34 bps. Second, the Fund had very little exposure to BBB-rated credits which outperformed the market by 50 bps. On the positive side, exposure to the tax exempt high yield market was additive to performance this quarter.

Where you were invested on the yield curve mattered a great deal. The short and intermediate parts of the curve outperformed the long end, with either flat or only slightly negative performance. However, moving further out in maturity produced a significant deterioration in results as municipal bonds with maturities greater than 17 years returned between -0.50 and -0.65%.

<sup>1</sup> For the three-, five- and 10-year periods, respectively, the Fund was rated 2, 2 and 3 stars among 146, 126 and 106 funds in the U.S. Muni National Long category for the time periods ended 9/30/18. 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.

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The overall health of the muni market remains solid and we expect the asset class to perform well versus other fixed income products for the remainder of this year and into 2019. From a credit perspective, state and local municipalities have seen positive tax receipts (revenues) in 32 out of the last 35 quarters. Flows into tax exempt mutual funds for the third quarter were \$5.2 billion, suggesting that investors still continue to favor the asset class given the attractiveness of the after-tax yields compared to taxable fixed income products. Year-to-date performance has outpaced all other fixed income asset classes with the exception of high yield municipals.

### Outlook

While tax reform has had a significant impact on the municipal market, the uncertainties surrounding the long-term of last year's legislation has started to abate. The supply of newly minted municipal bonds on a year-to-date basis is 15% less than last year and lower corporate tax rates have impacted the demand side for munis from two of the bigger market participants (banks and insurance companies). These supply and demand factors were expected and the market has since found balance.

With the backdrop for gradually rising interest rates, a strengthened credit picture and tax reform now in the rear view mirror, we are positive on the asset class for the remainder for the near and medium term. Historically, in a rising interest rate environment, municipal bonds have tended to outperform taxable fixed income assets and their correlation to equities is such that they offer greater diversification in a well-structured investment portfolio.

### 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 (%)	Expense Ratio Net (%)
A (without sales charge)	-0.70	-1.67	-1.00	1.21	3.34	4.98	–	7/26/1990	1.00	1.00
A (with sales charge)*	-4.68	-5.62	-4.96	-0.16	2.50	4.55	–	7/26/1990	1.00	1.00
Advisor	-0.64	-1.48	-0.77	1.40	3.47	–	1.84	5/1/2013	0.84	0.84
Institutional	-0.66	-2.04	-1.39	1.29	3.41	–	1.82	5/1/2013	0.70	0.70
ICE BofA ML Municipal Securities Master Index	-0.25	-0.51	0.24	2.33	3.75	4.95	–	12/30/1988		
Muni National Long	-0.34	-0.82	0.17	2.34	3.87	4.75	–	12/1/1976		

\* Effective 1/31/17, the maximum sales charge on Class A Shares was changed from 5.75% to 4.00%.

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

### Calendar Year Returns (%)

	2017	2016	2015	2014	2013	2012
A (without sales charge)	3.91	0.13	3.08	11.46	-4.97	8.92
Advisor	4.08	0.23	3.31	11.55	-5.09	8.92
Institutional	4.10	0.41	3.24	11.57	-4.85	8.92
ICE BofA ML Municipal Securities Master Index	5.42	0.44	3.55	9.78	-2.89	7.26
Muni National Long	5.71	0.00	3.07	10.58	-4.59	8.87

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

Holdings	% of Total
Rockwall TX Indep Sch Dist, 5.000%, 02/15/2046	3.9
New York NY City Transitional Fin Auth Rev, 5.000%, 11/01/2038	2.7
Honolulu Hawaii City & Cnty, 5.000%, 07/01/2040	2.6
New Jersey St Tpk Auth Rev Bonds, 5.000%, 01/01/2045	2.3
Washington County Oregon School District, 5.000%, 06/15/2035	2.0
Broward Cnty FL Arpt Sys Rev, 5.250%, 10/01/2030	2.0
New York, NY GO, 5.000%, 12/01/2038	2.0
Dallas-Fort Worth TX International Arpt Rev, 5.250%, 11/01/2030	2.0
Northwest ISD GO, 5.000%, 02/15/2042	2.0
Oklahoma St Tpk Auth, 5.000%, 01/01/2042	2.0

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### Glossary

The **ICE BofA U.S. Cash Pay HY Constrained Index** tracks U.S. dollar, Canadian dollar, British Pound, and Euro denominated debt rated BB+, BB, or BB- issued in major domestic or Eurobond markets. Qualifying securities must have 12 months or more until maturity, a fixed coupon, and a minimum outstanding of \$100mm. Index constituents are capitalization-weighted based on current amount outstanding, the current market price, and accrued interest.

The **ICE BofA ML US 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 Merrill Lynch 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.

The **FTSE World Government ex U.S. Bond Index (WGBI)** measures the performance of fixed-rate, local currency, investment-grade sovereign bonds excluding the U.S. The WGBI is a widely used benchmark that currently includes sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available.

The **Credit Suisse Leveraged Loan Index** is a market-weighted index that tracks the performance of institutional leveraged loans.

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. 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 current maximum sales charge of 4.00%. Prior to 1/31/2017, the maximum Class A sales charge was 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](http://foresters.com).

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