First Investors Funds

First Investors Fund For Income

Ticker

FIFIX (Class A)
FIFKX (Advisor)
FIFLX (Institutional)

Fund Inception Date

1/1/71 (Class A)
4/1/13 (Advisor and Institutional)

Dividend Distribution

Monthly

Benchmark

ICE BofA ML BB-B U.S. HY Cash Pay Constrained Index

Morningstar Category

High Yield

Number of Holdings as of 12/31/18

343

Portfolio Managers

Foresters Investment Management Company, Inc. is the Fund's investment adviser and Muzinich & Co. Inc. serves as subadviser of the Fund.

Clinton Comeaux, since 2009

Bryan Petermann, since 2010

Market Overview

Fourth quarter U.S. fixed income market performance was mixed. A risk-off environment resulted in a significant outperformance of interest-sensitive sectors for the quarter, especially U.S. Treasurys, while credit-sensitive sectors were negative. The broad U.S. fixed income market (as measured by the ICE BofA ML U.S. Broad Market Index) gained 1.85% in December and was up 1.64% in the fourth quarter, erasing all of its earlier losses in 2018. As investors looked for safer investments, U.S. Treasury bonds (as measured by the ICE BofA ML Treasury Master Index) gained 2.22% for December and 2.60% for the quarter which pushed them into positive territory for the year at 0.80%.

Widening credit spreads kept investment grade corporate bonds in negative territory for the quarter at -0.06% and ended 2018 at -2.25% (as measured by the ICE BofA ML Corporate Master Index). The high yield market (as measured by ICE BofA ML U.S. HY Cash Pay Constrained Index) was also down -4.64% for the quarter and -2.26% for the year with lower rated quality bonds suffering the most. From mid-November to year-end, the leveraged loan market (as measured by the Credit Suisse Leveraged Loan Index) experienced its biggest outflows on record, losing -3.08% in the fourth quarter. The one bright spot in the fixed income market was municipal bonds, which are typically considered a safe haven due to their relatively high credit quality and attractive valuations compared to U.S. Treasurys. They also benefited from lower issuance and ended the quarter up 1.56% (as measured by the ICE BofA ML Municipal Securities Master Index).

Performance Review

The First Investors Fund For Income declined 3.99% (Advisor Class) for the fourth quarter versus -3.87% for the ICE BofA ML BB-B U.S. HY Cash Pay Constrained Index. Although disappointing, the Fund preserved capital better than the broad high yield market and many high yield portfolios which were more heavily invested in CCC rated paper which sharply sold off. While the Fund takes small amounts of CCC exposure in specific lower-rated selections when we think they are miss-rated and offer specific value, we took a lower exposure (below 5%) at the start of the quarter on tight market valuations. Similarly, we halved our exposure to bank loans, which had performed well for the Fund, in time for their December sell-off. We lowered their exposure because we thought that falling bond prices might offer a more compelling opportunity for reinvestment given that corporate fundamentals continue to be supportive of most debt-paying companies in 2019, even if they will not grow suitably fast to entice the equity investor. On a sector basis, there were few places to reallocate, with the Fund giving up on an allocation basis the small edge we exhibited over the market in credit selection. We outperformed the most in Telecommunications and Leisure, while underperforming the most in Technology and Automotive. We note that in Health Care, a nearly 9% weighting over the period, exposure to select issues cost us performance versus the index; however, these declines were quite idiosyncratic and already recovered in the early days of January 2019. The world is at an interesting place with multiple outcomes available. Unfortunately, many of these possibilities are difficult for financial analysts to model, thereby leading us toward a bias to sell the rallies.

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Outlook

Here is a trivia question to start the New Year: Since 1994, how many years was the U.S. high yield market down, absent a wave of defaults? Answer: none, until now. The year 2018 was an anomaly in that the U.S. high yield market posted a negative return, but the default rate remained exceptionally low at 1.75% for high yield and 1.66% for loans (both par weighted and including distressed exchanges). We believe last year's challenges were driven by global central bank tightening, geopolitical uncertainty and concerns about economic growth. So what about 2019? Historically, negative years in high yield have been followed by positive years–however–during those years, spreads were wider than current spread levels. Valuations have been at their most attractive in years, but does this suggest a screaming buy? We believe that if some of the political uncertainty is lifted, for example easing of trade tensions or a soft Brexit, markets could snap back very quickly, given significant levels of cash sitting on the sidelines and limited dealer inventories. The snapback will be quick and likely dramatic, and the most attractive gains will be made at the inflection point. Risks remain; however, we are late in the economic cycle and spreads could certainly widen from here. Managers focused on credit analysis are likely to perform well for investors looking to opportunistically take advantage of more attractive valuations, even in a period of more mixed economic data.

Average Annual Total Return Performance as of 12/31/18 (%)

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)	-4.05	-2.69	-2.69	4.72	2.45	8.17	–	1/1/71	1.23	1.21
A (with sales charge)	-7.82	-6.43	-6.43	3.27	1.62	7.73	–	1/1/71	1.23	1.21
Advisor	-3.99	-2.42	-2.42	4.99	2.71	–	2.97	4/1/13	0.96	0.94
Institutional	-3.93	-2.62	-2.62	5.16	2.88	–	3.20	4/1/13	0.80	0.78
ICE BofA ML BB-B U.S. HY Ca Pay Cons Index	-3.87	-2.04	-2.04	6.34	3.87	9.98	–	12/29/72		
High Yield Bond	-4.34	-2.59	-2.59	5.58	2.71	9.25	–	9/24/71		

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)	-2.69	6.41	10.91	-2.28	0.56	6.22	13.11
Advisor	-2.42	6.68	11.19	-2.29	1.06	6.24	13.11
Institutional	-2.62	7.17	11.42	-2.08	1.24	6.73	13.11
ICE BofA ML BB-B U.S. HY Ca Pay Cons Index	-2.04	6.96	14.76	-2.82	3.48	6.29	14.58
High Yield Bond	-2.59	6.40	13.18	-4.07	1.11	6.92	14.69

Top Ten Holdings as of 12/31/18 (%)

Holdings	% of Total
CSC Holdings, LLC, 10.875%, 10/15/2025	1.5
Ardagh Holdings USA, Inc., 7.250%, 05/15/2024	1.0
Alliance Data Systems Corp., 5.375%, 08/01/2022	1.0
Sprint Communications, Inc., 6.000%, 11/15/2022	1.0
DaVita, Inc., 5.125%, 07/15/2024	0.9
GCI, Inc., 6.875%, 04/15/2025	0.9
Intelsat Jackson Holdings SA, 5.500%, 01/02/2024	0.8
Sprint Corp., 7.875%, 09/15/2023	0.8
SunCoke Energy Partners, LP, 7.500%, 06/15/2025	0.8
Tribune Media Co., 5.875%, 07/15/2022	0.8

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Glossary

The **ICE BofA ML BB-B U.S. HY Cash Pay Constrained Index** contains all the securities in the BofA ML U.S. Cash Pay High Yield Index rated BB1 through B3, based on an average of Moody's Investment Services, Inc., Standard & Poor's Ratings Services and Fitch Ratings, but caps issuers at 2%.

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

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 U.S. Cash Pay HY Constrained Index** tracks U.S. dollar denominated below investment grade corporate debt issued in U.S. domestic market. Qualifying securities must have 18 months or more until maturity, a fixed coupon, and a minimum outstanding of $250mm. Index constituents are capitalization-weighted based on current amount outstanding, the current market price, and accrued interest.

The **ICE BofA ML U.S. Corporate Master Inde**x 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 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 **Credit Suisse Leveraged Loan Index** is a market-weighted index that tracks the performance of institutional leveraged loans.

The **Morningstar High-yield bond Category** consists of portfolios that concentrate on lower-quality bonds, which are riskier than those of higher quality companies. These portfolios generally offer higher yields than other types of portfolios, but they are also more vulnerable to economic and credit risk.

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: Credit Risk, Floating Rate Loan Risk, High Yield Securities Risk, Interest Rate Risk, Liquidity Risk, Market Risk and Security Selection 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 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.

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For more information about First Investors Funds and variable products from Foresters Financial Services, Inc., you may obtain a free prospectus and summary prospectus by contacting your Financial Services Representative, calling 800 423 4026 or visiting firstinvestorsfunds.com. You should consider the investment objectives, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the funds, and should be read carefully before you invest or send money. An investment in these funds is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Neither Foresters Financial Services, Inc. nor its affiliates offer legal or tax advice. Please consult your tax adviser before making any tax-related retirement decisions.