

# First Investors Funds

# First Investors Hedged U.S. Equity Opportunities Fund

## Ticker

FHEJX (Class A)  
FHEKX (Advisor)  
FHELX (Institutional)

## Fund Inception Date

8/1/16 (All shares)

## Dividend Distribution

Annual

## Benchmark

70% Russell 3000 Index  
30% BofA ML 3 Mo T-Bill Index

## Morningstar Category

Option-based

## Number of Holdings as of 12/31/18

Equity Holdings 285  
Futures and Options 5

## Portfolio Managers

Foresters Investment Management Company, Inc. is the Fund's investment adviser and Wellington Management Company LLP serves as subadviser of the Fund.

Gregg R. Thomas, CFA, since 8/1/16 (Wellington)

Roberto Isch, CFA, since 12/31/18

## Market Overview

The fourth quarter started off on a high note with the Goldilocks environment continuing to push the boundaries of U.S. equities. However, a number of concerns led to market volatility which increased sharply during the end of the quarter, reflecting investors' increased worries about the health of the aging bull market. As a result, the S&P 500 Index experienced its worst December since 1931. The Index was down -13.52% from its September peak, wiping out all of its 2018 gains and ending the year down -4.38%.

Factors that weighed on market sentiment included ongoing trade tensions, concerns about softer growth, the flattening of the yield curve, uncertainty around future interest rate hikes, falling oil prices, weaker forward guidance on corporate earnings and a partial government shutdown.

Several market shifts were also evident during the last three months of the year. Small caps became the weakest market capitalization, losing -20.20% (as measured by the Russell 2000 Index). On the style front, value stocks outperformed growth stocks for the first time since the fourth quarter of 2016. Defensive and low volatility strategies outperformed growth and momentum strategies which had dominated the market during the first nine months of the year. Only one sector, Utilities, was slightly positive for the quarter, with the remaining 10 sectors in negative territory. The Dow Jones Industrial Average held up better than any of the other major indexes, down -11.31% for the quarter and -3.48% for the year.

## Performance Review

The First Investors Hedged U.S. Equity Opportunities Fund was down -9.17% (Advisor Class) for the quarter versus -9.93% for the Fund's custom benchmark. The equity strategies posted a negative absolute return, but outperformed on a relative basis, driven by both security selection and sector allocation. The Fund's hedging strategy also contributed to portfolios' outperformance during the quarter.

Within the equity strategies, security selection contributed positively, particularly in the Real Estate, Consumer Discretionary, and Information Technology sectors. This was partially offset by weak selection in the Health Care, Communication Services, and Energy sectors. Sector allocation, a residual of the bottom-up stock selection process of the underlying managers, also contributed to the Fund's quarterly performance from an underweight to Energy and Information Technology and from an overweight in Real Estate, which contributed the most. This was partially offset by our overweight to Industrials. Our decision not to hold Apple and our underweight position in Amazon were the top contributors to relative performance, while our decision not to hold Proctor & Gamble and our out-of-index exposure to Spotify Technology were the top relative detractors.

The hedging strategy contributed to quarterly performance results. Specifically, the beta hedge, which is designed to reduce the Fund's equity exposure through selling futures on U.S. indices, contributed positively as U.S. indices were down during the period. Also, the Fund's market tail risk management strategy, which is designed to mitigate capital losses in periods when equities experience sharp declines, contributed to results due to the declining U.S. markets.

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## Outlook

Economic growth in the U.S. was tracking above trend in the fourth quarter; however, we see signs of slowing growth ahead as durable goods orders remain sluggish and input costs are increasing on the back of higher tariffs. With inflation in-line with Federal Reserve (Fed) forecasts and the Fed's reiteration of a data-dependent monetary policy agenda, we could see further tightening in 2019; however, we expect to see a pause in this policy approach if macro fundamentals deteriorate.

There remains considerable uncertainty regarding the pace of tightening in addition to uncertainty stemming from ongoing trade tensions. Further, the risk of a hard-landing in China and political risk in Europe could have ramifications for the U.S. We expect the net impact of these uncertainties to lead to continued market volatility in 2019.

From a factor perspective, while we maintain exposure to value and growth for capital appreciation, we are increasingly looking to quality and low volatility to mitigate downside participation.

## 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 (%)	Net (%)
A (without sales charge)	-9.16	-3.22	-3.22	-	-	-	3.28	8/1/16	2.09	1.75
A (with sales charge)	-14.41	-8.78	-8.78	-	-	-	0.78	8/1/16	2.09	1.75
Advisor	-9.17	-2.94	-2.94	-	-	-	3.60	8/1/16	1.76	1.42
Institutional	-9.07	-2.84	-2.84	-	-	-	3.72	8/1/16	1.74	1.31
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	-9.93	-2.90	-2.90	6.67	5.82	9.42	-			
Russell 3000 Index	-14.30	-5.24	-5.24	8.97	7.91	13.18	-	12/31/78		
BofA 3-month Treasury Bill	0.56	1.87	1.87	1.02	0.63	0.37	-	12/31/78		
Options-based	-8.24	-5.49	-5.49	2.66	2.25	4.05	-	12/7/77		

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)	-3.22	12.26	-	-	-	-	-
Advisor	-2.94	12.65	-	-	-	-	-
Institutional	-2.84	12.85	-	-	-	-	-
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	-2.90	14.72	9.07	0.60	8.80	22.65	11.46
Russell 3000 Index	-5.24	21.13	12.74	0.48	12.56	33.55	16.42
BofA 3-month Treasury Bill	1.87	0.86	0.33	0.05	0.03	0.07	0.11
Option-based	-5.49	8.58	4.19	-0.75	4.22	12.05	5.89

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

Holding	Industry	% of Total
American Tower Corp.	Communication Services	1.4
Johnson & Johnson	Healthcare	1.3
Public Storage	Real Estate	1.2
Canadian National Railway Co.	Industrials	1.1
Bristol-Myers Squibb Co.	Healthcare	1.1
American Express Co.	Financial Services	1.1
Pfizer, Inc.	Healthcare	1.0
McDonald's Corp.	Consumer Cyclical	1.0
Medtronic, PLC	Healthcare	1.0
Coca-Cola Co.	Consumer Defensive	0.9

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### Glossary

The **Russell 3000 Index** is an unmanaged index that measures the performance of the largest 3,000 U.S. Companies, representing approximately 98% of the investable U.S. equity market.

The **BofA Merrill Lynch U.S. 3-Month Treasury Bill Index** tracks the performance of the U.S. dollar denominated U.S. Treasury Bills publicly issued in the U.S. domestic market with a remaining term to final maturity of less than 3 months.

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 **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 **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 **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: Derivatives Risk, Emerging Markets Risk, Foreign Securities Risk, Hedging Risk, Multi-Style Risk, Quantitative Strategies Risk, Exchange-Traded Funds Risk, Market Risk, Mid-Size and Small-Size Company Risk, Security Selection Risk, High Portfolio Turnover and Frequent Trading 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 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 [firstinvestorsfunds.com](http://firstinvestorsfunds.com).

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