

First Investors Funds

First Investors Premium Income Fund

Ticker

FPIKX (Class A)
 FPILX (Advisor)
 FPIMX (Institutional)

Fund Inception Date

4/2/18 (All classes)

Dividend Distribution

Quarterly

Benchmark

CBOE S&P 500 Buy Write (BXM) Index

Morningstar Category

Options-based

Number of Holdings as of 12/31/18

Equity Holdings 56
 Covered Call Options 189

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 2018 (Ziegler)

Sean C. Hughes, CFA, since 2018 (Ziegler)

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 Premium Income Fund returned -4.52% (Advisor Class) during the fourth quarter versus -10.81% for the CBOE S&P 500 Buy Write Index, -13.52% for the S&P 500 Index and 1.64% for the Bloomberg Barclays U.S. Aggregate Bond Index. Overall, the Fund's beta¹ to the S&P 500 has been 0.34 since inception, in line with the historical average for this in-the-money² strategy. The Fund outperformed the CBOE S&P 500 Buy Write and S&P 500 during both the quarter and since inception, but has underperformed the Bloomberg Barclays U.S. Aggregate Bond, which benefited from falling interest rates. Since inception, the Fund has returned -1.49% versus -3.66% for the S&P 500.

While the call options in the Fund shifted from a portfolio average of 16.0% in-the-money to 5.2% in the fourth quarter, there were a number of stocks which declined below their option strike prices and, thus, detracting from returns. This was mitigated somewhat by the fund rolling some of its options down in strike price, in order to gain more downside protection as the market declined rapidly in December. In addition to the wide dispersion of stock returns during the quarter, the portfolio's average implied volatility³ on the call options increased from 25.2% to 30.0%. Consequently, the total time value⁴ in the option portfolio, which usually decays to zero over time, actually increased. While the increase in time value detracts from trailing returns, it boosts the forward looking expected returns, as this increased time value will gradually decline over the coming months as the options near expiration. Specifically, the annualized time value in the option portfolio nearly tripled from the beginning of the quarter to the end of December. As a result, we were writing in-the-money call options with the most attractive expected returns in the history of the strategy.

¹ Beta measures market volatility; a benchmark generally has a beta of 1.0; an investment with a beta under 1.0 is considered less volatile.

² In-the-money options have exercise, or strike prices, below (for a call option) or above (for a put option) the market price of the underlying asset. The value of such options is nearly all intrinsic value and minimal premium.

³ Implied volatility is the volatility percentage that produces the best fit for all underlying option prices on that underlying stock.

⁴ Time value is the portion of an option's premium that is attributable to the amount of time remaining until the expiration of the option contract.

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Outlook

Given current market valuations and record corporate earnings, stocks have many positives. The Fund, in particular, is invested in attractively valued equities with strong fundamentals and a bias toward U.S.-based earnings. Earnings per share for the stocks in the Fund is expected to grow 7.4% over the next 12 months, slower than the past 12 months, but close to its long-term average, as profit margins remain near record levels. The stocks are more attractively valued than the S&P 500, with a forward price-to-earnings ratio of 11.3 for the stocks in the Fund versus 14.4 for the S&P 500. As a result, the Fund 2019 with not only attractively priced stocks, but also attractive call options.

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)	-4.63	-	-	-	-	-	-1.72	4/2/18	1.41	1.30
A (with sales charge)	-10.15	-	-	-	-	-	-7.37	4/2/18	1.41	1.30
Advisor	-4.52	-	-	-	-	-	-1.49	4/2/18	1.13	1.02
Institutional	-4.59	-	-	-	-	-	-1.46	4/2/18	1.00	0.89
CBOE S&P 500 Index	-10.81	-4.77	-4.77	4.84	5.08	7.96	-	6/30/86	-	-
S&P 500 Index	-13.52	-4.38	-4.38	9.26	8.49	13.12	-	9/11/89	-	-
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.

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

Holding	Industry	% of Total
SPDR S&P 500 ETF Trust	Financial Services	4.2
American Express Co.	Financial Services	3.5
Intel Corp.	Technology	3.4
Broadcom, Inc.	Technology	3.3
Medtronic, PLC	Healthcare	3.2
JPMorgan Chase & Co.	Financial Services	3.1
DowDuPont, Inc.	Basic Materials	3.1
Honeywell International, Inc.	Industrials	3.1
Apple, Inc.	Technology	3.0
Mondelez International, Inc.	Consumer Defensive	2.9

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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 **S&P 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 Index** is designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.

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 **Bloomberg Barclays U.S. Aggregate Bond Index** is a market capitalization-weighted index. Most U.S. traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected Securities are excluded due to tax treatment issues. The index includes U.S. Treasury securities, government agency bonds, mortgage-backed bonds, corporate bonds, and a small amount of foreign bonds traded in the U.S.

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, High Portfolio Turnover and Frequent Trading Risk, Market Risk, Mid-Size and Small-Size Company Risk, Sector 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 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.

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 December 31, 2018, 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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