

# First Investors Funds

# First Investors Tax Exempt Opportunities Fund

## Ticker

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

## Fund Inception Date

7/26/90 (Class A)  
5/1/13 (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 12/31/18

311

## 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



Advisor shares rated 3 overall stars by Morningstar among 146 U.S. Muni National Long funds for the period ended 12/31/18 based on risk-adjusted performance.<sup>1</sup>

## 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. Treasuries, 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. Treasuries. 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 Tax Exempt Opportunities Fund returned 1.31% (Advisor Class) for the fourth quarter, outperforming its Morningstar peer group's (Muni National Long Bond Funds) average return of 1.09%, but underperformed its benchmark, the ICE BofA ML U.S. Municipal Securities Index by just 25 basis points (bps). The Fund's overweight position to the short-end of the curve contributed most to the portfolio's relative underperformance for the period.

The fourth quarter of 2018 was the best performing quarter of the year. The ICE BofA ML U.S. Municipal Securities Index returned 1.56% with most of the quarter's performance driven from a very strong November and December, in which the index returned 1.10% and 1.18%, respectively. Like Treasury bonds, municipals moved higher as yields rallied across the curve. Equity markets swooned and a flight to quality ensued with munis and Treasuries powering forward as a result. Though performance was very good during the quarter, the sector did experience negative fund flows as investors pulled out over \$10 billion from municipal bond funds which brought total flows for the year into negative territory. However, the outflows did not have a dampening impact on the asset class, as liquidity and credit spreads remained solid.

<sup>1</sup> For the three-, five- and 10-year periods, respectively, the Fund was rated 2, 3 and 2 stars among 146, 130 and 107 funds in the U.S. Muni National Long category for the time periods ended 12/31/18. 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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### Outlook

Municipal bonds outperformed all other investment grade fixed income classes in 2018. However, tax reform was transformative to the municipal market for several reasons. For example, the sector experienced a decrease in new issue supply of almost 25% in 2018 and a decrease in demand for municipal bonds from banks and insurance companies, as well. With the reduction in the corporate tax rate, munis no longer offer an attractive after-tax yield for banks and insurance companies. As a result, demand for munis waned. These two entities make up nearly 25% of the buyer base, and their reduced appetite had a dampening effect on performance for all of 2018.

From a credit perspective, the overall health of the muni market remains solid, and we expect the asset class to perform well versus other fixed income products in 2019. State and local municipalities have seen an improvement in revenues as tax receipts in 33 out of the last 36 quarters have improved. Investors continue to like the asset class, as the after tax yields are favorable versus other taxable fixed income products. In fact, the tax-exempt yield on long term municipals is equivalent to the taxable yield on similar maturity Treasury bonds.

### 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	Gross (%)	Net (%)
A (without sales charge)	1.25	-0.44	-0.44	1.18	3.54	4.68	–	7/26/90	1.00	1.00
A (with sales charge)	-2.78	-4.42	-4.42	-0.19	2.70	4.25	–	7/26/90	1.00	1.00
Advisor	1.31	-0.18	-0.18	1.36	3.71	–	2.00	5/1/13	0.84	0.84
Institutional	1.35	-0.71	-0.71	1.24	3.63	–	1.98	5/1/13	0.70	0.70
ICE BofA ML Municipal Securities Master Index	1.56	1.04	1.04	2.27	3.99	5.12	–	12/30/88		
Muni National Long	1.09	0.29	0.29	2.02	4.02	5.25	–	12/1/76		

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)	-0.44	3.91	0.13	3.08	11.46	-4.97	8.92
Advisor	-0.18	4.08	0.23	3.31	11.55	-5.09	8.92
Institutional	-0.71	4.10	0.41	3.24	11.57	-4.85	8.92
ICE BofA ML Municipal Securities Master Index	1.04	5.42	0.44	3.55	9.78	-2.89	7.26
Muni National Long	0.29	5.71	0.00	3.07	10.58	-4.59	8.87

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

Holdings	% of Total
Northwest ISD GO, 5.000%, 02/15/2042	2.5
Rockwall TX Indep Sch Dist, 5.000%, 02/15/2046	2.4
Honolulu Hawaii City & Cnty, 5.000%, 07/01/2040	1.9
New York State Dorm Auth, 5.250%, 03/15/2038	1.9
Wisconsin State, 5.000%, 05/01/2032	1.7
New York NY City Transitional Fin Auth Rev, 5.000%, 11/01/2038	1.7
New York St Dorm Auth Sales Tax Revenue, 5.000%, 03/15/2042	1.5
North Carolina Tpk Auth, 5.000%, 01/01/2036	1.5
New Jersey St Tpk Auth Rev Bonds, 5.000%, 01/01/2045	1.5
Allegheny Cnty Pa Port Auth Spl Rev. Bonds, 5.250%, 03/01/2024	1.4

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### Glossary

The ICE BofA ML 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. 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 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 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 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.

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%. 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).

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.

*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](http://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.*