

# Hedged U.S. Equity Opportunities Fund

December 2018

A core equity solution for delivering alpha and minimizing volatility, the Hedged U.S. Equity Opportunities Fund combines a highly active, risk-balanced equity portfolio with a hedging overlay.

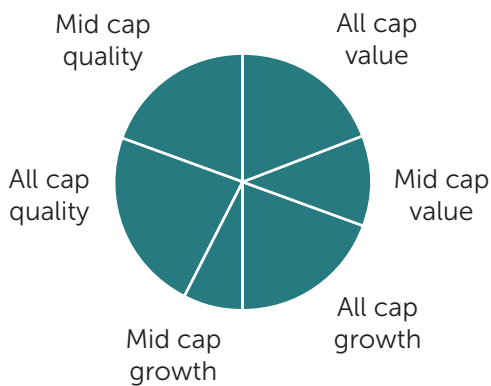
Class A: FHEJX

Advisor: FHEKX

Institutional: FHELX

The First Investors Hedged U.S. Equity Opportunities Fund combines an active, risk-balanced equity portfolio designed to generate positive returns, with a hedging strategy to lessen volatility from unwanted market exposures and to protect against potential market drawdowns. The investment management team of the subadvisor, Wellington Management, has a long history of managing client assets through a number of investment capabilities across the globe. The Hedged U.S. Equity Opportunities portfolio team has access to the vast resources of Wellington’s broad equity investments along with hedging expertise that the firm has developed over time.

## Exhibit 1: Multi factor-based equity portfolio



The Fund offers a broadly diversified, **risk-balanced equity portfolio** (see *Exhibit 1*) that targets alpha generation and risk diversification through a factor-based approach, while balancing multiple factors across capitalizations, quality, value and growth.

## Exhibit 2: Portfolio construction process



The Fund incorporates a complimentary **hedging overlay strategy** (see *Exhibit 2*) that acts as a dual-functioning protection feature mitigating the downside market risk (or beta) and larger market drawdowns. The approach combines index futures for the beta component with continuous option hedging for extreme downturns.

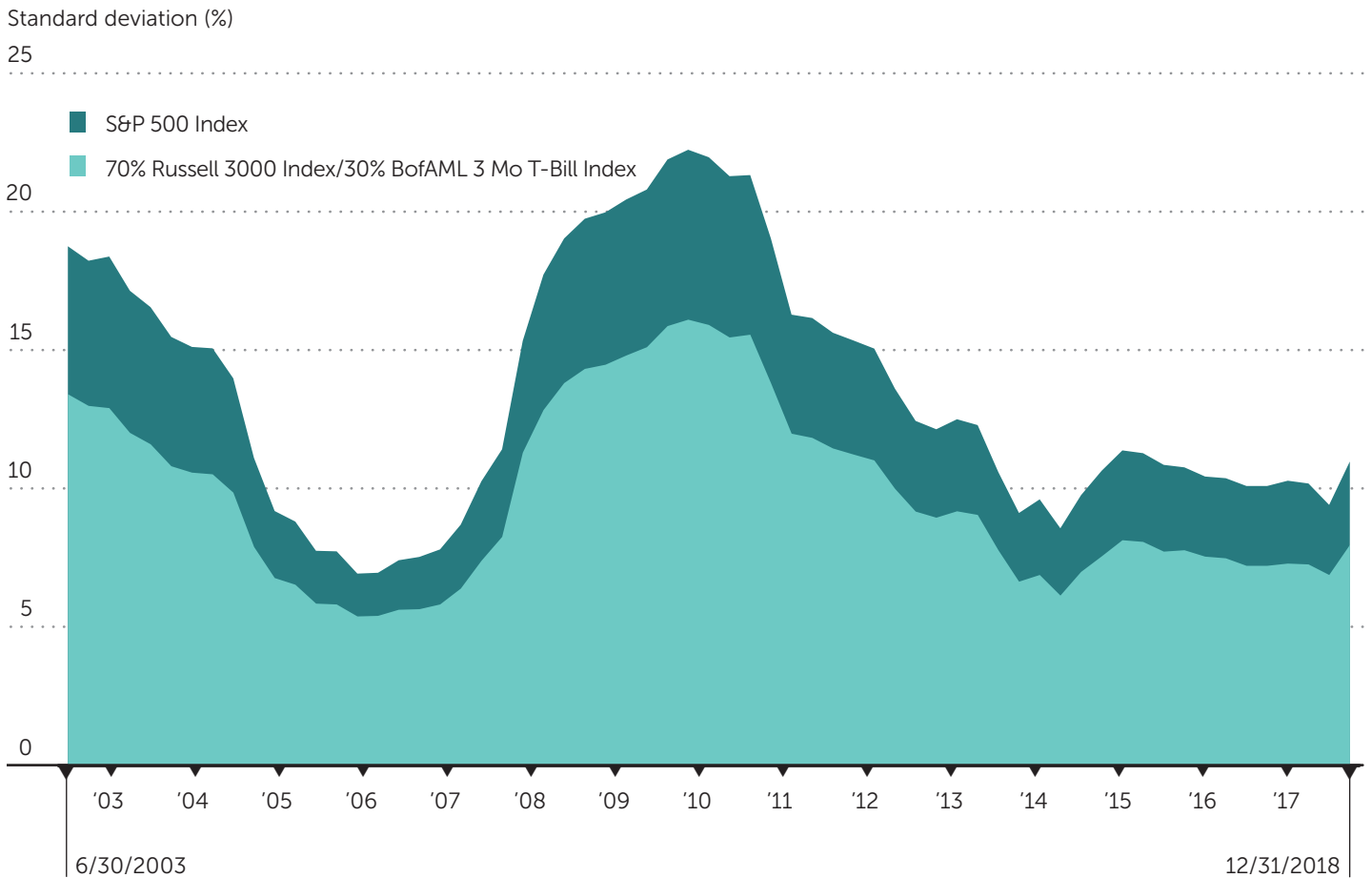
### A blended return profile

The hedging capabilities of the Fund are designed to lower volatility of the active factor-based portfolio to produce a risk-return profile that is lower than an equity-

only portfolio and more similar to a 70% multi-cap equity/30% U.S. Treasury bill blended portfolio (see *Exhibit 3*).

### Exhibit 3: Improved risk profile

Standard deviation of 70% multi-cap equity/30% U.S. Treasury bill blended portfolio vs S&P 500.



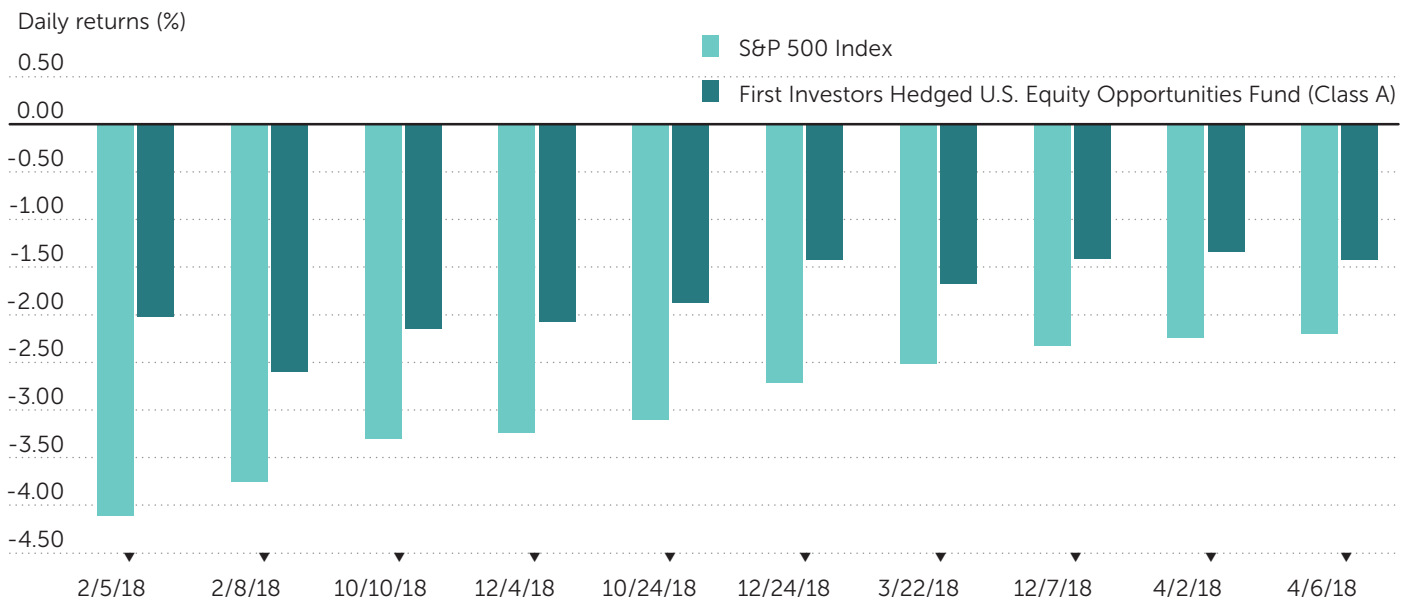
Source: Morningstar, 12/31/2018

### Reducing underperforming days of the market

During the S&P 500's 10 worst down days for 2018, the Hedged U.S. Equity Opportunities Fund outperformed the market by an average of 110 basis points (see *Exhibit 4*).

Used as an individual core equity investment option or a complimentary portfolio addition, the **First Investors Hedged US Equity Opportunities Fund** pursues smoother investor returns for improved growth of capital and principal protection over the long term.

### Exhibit 4: 10 worst S&P 500 down days through December 31, 2018 vs Hedged U.S. Equity Opportunities Fund



Source: Morningstar, 12/31/2018

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## Important Disclosures

The S&P 500 Index is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large-cap universe.

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 three months.

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. **Past performance does not guarantee future results.**

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