

First Investors Funds

First Investors Covered Call Strategy Fund

Ticker

FRCCX (Class A)
FRCDX (Advisor)
FRCEX (Institutional)

Fund Inception Date

4/1/2016 (All classes)

Dividend Distribution

Quarterly

Benchmark

CBOE S&P 500 Buy Write (BXM) Index

Morningstar Category

Option Writing

Number of Holdings as of 9/30/17

Number of Equity Holdings 33
Number of Covered Call Options 51

Portfolio Managers

Wiley D. Angell
since 2016
Sean C. Hughes, CFA
since 2016

Market Overview

The S&P 500 Index earnings growth has been strong in recent quarters, up nearly 20% year-over-year. Due to the “earnings recession” last year, the two-year annualized growth rate of quarterly earnings is more informative of underlying strength—growing near 5% annually over the period—close to its historical average. The post-election “Trump Trades” have largely unwound, as the slow and chaotic political process has reduced market expectations of accomplishing campaign promises (tax reform, infrastructure, healthcare legislation). The market does not appear to expect any significant progress on corporate tax reform, as high effective tax rate stocks have underperformed the market by a wide margin this year, giving up all of their post-election gains. Despite the political dysfunction in Washington, the S&P 500 has returned 14.2% this year, supported by deregulation and strong earnings growth, which is expected to continue. The underlying fundamentals have remained strong, with unemployment at 4.2% (the lowest in 17 years), consumer confidence remaining near 14 year highs this year and the ISM Manufacturing Index at the highest level since 2004. The market’s valuation does pose some potential risk, as the S&P 500 trailing P/E ratio is an above average 21.6. We believe this risk can be somewhat alleviated by moving one’s equity allocation into more attractively valued stocks and writing call options for downside protection. The S&P 500 Growth Index’s trailing P/E ratio was 24.9 at quarter-end (36.6% above its 10-year average), while the S&P 500 Value Index had a trailing P/E ratio of 18.5 (13.6% above its 10-year average). Reasonably priced large cap value stocks can offer an attractive risk/reward profile, especially when combined with call premiums that can help stabilize returns and provide downside protection.

Performance Review

During the third quarter, the First Investors Covered Call Strategy Fund returned 2.74 % (Advisor class), an excess return of 20 basis points over the covered call benchmark (BXM Index) return of 2.54%. The excess return was due entirely to call option selection. The benchmark writes index call options, which had an implied volatility of 6.6% at quarter-end, the lowest level since our data began in 2005. In contrast, the covered call fund writes single stock call options, which tend to provide more income and downside protection (the average implied volatility of the call options in the fund was 18.9% at quarter-end). The stocks in the Fund, being more value-oriented, performed in line with the S&P 500 Value Index, but underperformed the overall S&P 500 Index by 100 basis points. Year-to-date, the stocks in the fund outperformed the S&P 500 Value Index by 44 basis points. During the quarter, stock selection made a positive contribution to returns in the Materials sector, but detracted from returns in Technology and Health Care. Stock allocation made a positive contribution overall during quarter, as the fund was underweight the worst performing sectors, Consumer Staples and Consumer Discretionary.

Outlook

Given the stock market rally, market valuations and uncertainties from Congress, we are likely to keep call option strike prices closer to existing stock prices on most of the portfolio in order to gain somewhat more call income and downside protection. At the beginning of the year, the call option portfolio was 3.9% above existing stock prices, while at March 31st the number was 2.8% and at the beginning of the fourth quarter it was 0.3%. However, stocks which have more upside potential, such as bank stocks and certain undervalued stocks, will have strike prices further above existing stock prices. The Trump administration has been pursuing deregulation unilaterally, which is likely to benefit financial companies, and all banks passed the latest Federal Reserve “stress tests”, meaning more capital will be returned to shareholders. In addition to an overweight in financials, the portfolio managers have positioned the portfolio toward stocks likely to benefit from a gradually improving economy, higher interest rates and the industrial/manufacturing recovery that has gained traction. The S&P 500’s valuation is likely to be a headwind to stock price appreciation unless Congress can agree upon tax policy changes, which would boost earnings. The ten largest “low volatility” U.S. equity funds have an above average trailing P/E ratio of 22.2 versus the S&P 500

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First Investors Covered Call Strategy Fund

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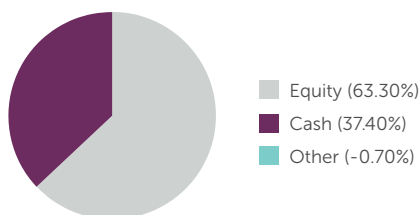
at 21.6 and the First Investors Covered Call Strategy Fund at 18.6. We continue to believe reasonably priced large cap stocks offer the best risk/reward potential, especially when combined with call premiums that can help stabilize returns and provide downside protection. Over the past 20 years, the most opportune times to invest in covered call strategies have been when the market's valuation was above-average, as it is now.

Average Annual Total Return Performance as of 9/30/17 (%)

Class	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Expense Ratio	
									Gross (%)	Net (%)
A (without sales charge)	2.58	6.81	9.17	-	-	-	8.81	4/1/2016	1.48	1.30
A (with sales charge)	-3.34	0.70	2.91	-	-	-	4.59	4/1/2016	1.48	1.30
Advisor	2.74	7.19	9.62	-	-	-	9.18	4/1/2016	1.12	0.97
Institutional	2.79	7.31	9.77	-	-	-	9.37	4/1/2016	1.05	0.84
CBOE S&P 500 Index	2.54	9.93	12.84	7.10	7.64	4.84	-	6/30/1986	-	-
S&P 500 Index	4.48	14.24	18.61	10.81	14.22	7.44	-	9/11/1989	-	-
US Fund Option Writing	2.14	5.98	7.50	3.44	5.01	2.57	-	12/7/1977	-	-

Returns for periods less than one year are cumulative and not annualized.

Portfolio Allocation



Top Ten Holdings as of 9/30/17 (%)

Holding	Industry	% of Total
Dow Chemical Co.	Basic Materials	5.5
JPMorgan Chase & Co.	Financial Services	4.9
Bank of America Corp.	Financial Services	4.7
Honeywell International, Inc.	Industrials	4.6
Apple, Inc.	Technology	4.5
Morgan Stanley	Financial Services	4.1
Medtronic, PLC	Healthcare	4.1
American Express Co.	Financial Services	3.7
Pfizer, Inc.	Healthcare	3.7
Oracle Corp.	Technology	3.7

Calendar Year Returns as of 9/30/17 (%)

	QTD	YTD	2016	2015	2014	2013	2012
A (without sales charge)	2.58	6.81	-	-	-	-	-
Advisor	2.74	7.19	-	-	-	-	-
Institutional	2.79	7.31	-	-	-	-	-
CBOE S&P 500 Index	2.54	9.93	7.07	5.24	5.64	13.26	5.20
S&P 500 Index	4.48	14.24	11.96	1.38	13.69	32.39	16.00
US Fund Option Writing	2.14	5.98	4.19	-0.75	4.22	12.05	5.89

Modern Portfolio Theory Statistics as of 9/30/17

	3 Year				5 Year				10 Year			
	First Investors Covered Call Strat A	CBOE S&P 500 Buy Write BXM	S&P 500 Index	US Fund Option Writing	First Investors Covered Call Strat A	CBOE S&P 500 Buy Write BXM	S&P 500 Index	US Fund Option Writing	First Investors Covered Call Strat A	CBOE S&P 500 Buy Write BXM	S&P 500 Index	US Fund Option Writing
Standard Deviation	-	5.99	10.07	4.39	-	5.87	9.55	4.24	-	11.36	15.14	7.64
Alpha	-	0.00	1.55	-1.06	-	0.00	3.99	0.18	-	0.00	2.02	-0.70
Beta	-	1.00	1.33	0.63	-	1.00	1.31	0.62	-	1.00	1.19	0.63
Sharpe Ratio	-	1.12	1.04	0.72	-	1.25	1.42	1.12	-	0.44	0.52	0.32
Information Ratio	-	0.00	0.53	-1.08	-	0.00	1.03	-0.80	-	0.00	0.34	-0.42
Tracking Error	-	0.00	6.48	3.15	-	0.00	5.95	3.06	-	0.00	7.25	5.15
R2	-	100.00	62.33	74.08	-	100.00	64.77	74.95	-	100.00	79.19	85.91

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 firstinvestors.com.

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Leading Stock Contributors

	Contribution
Raytheon	0.63
Dow Chemical Co.	0.52
Valero Energy Corp.	0.50
Intel Corp.	0.39
Chevron Corp.	0.37

Leading Stock Detractors

	Contribution
Allergan PLC	-0.66
Medtronic PLC	-0.53
General Electric Co.	-0.26
CBS Corp Class B	-0.18
Walt Disney Co.	-0.13

Glossary

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 **Morningstar US Options Writing Category** consists of portfolios that use options as a significant and consistent part of their overall investment strategy.

Alpha is a measure of performance on a risk adjusted basis.

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.

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

Information Ratio, in investing terminology, is the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

R-Squared measures the percentage of a fund or security's movements that can be explained by movements in a benchmark index.

Sharpe Ratio measures reward vs. risk; a higher number is more favorable.

Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio; the higher the number the greater the risk.

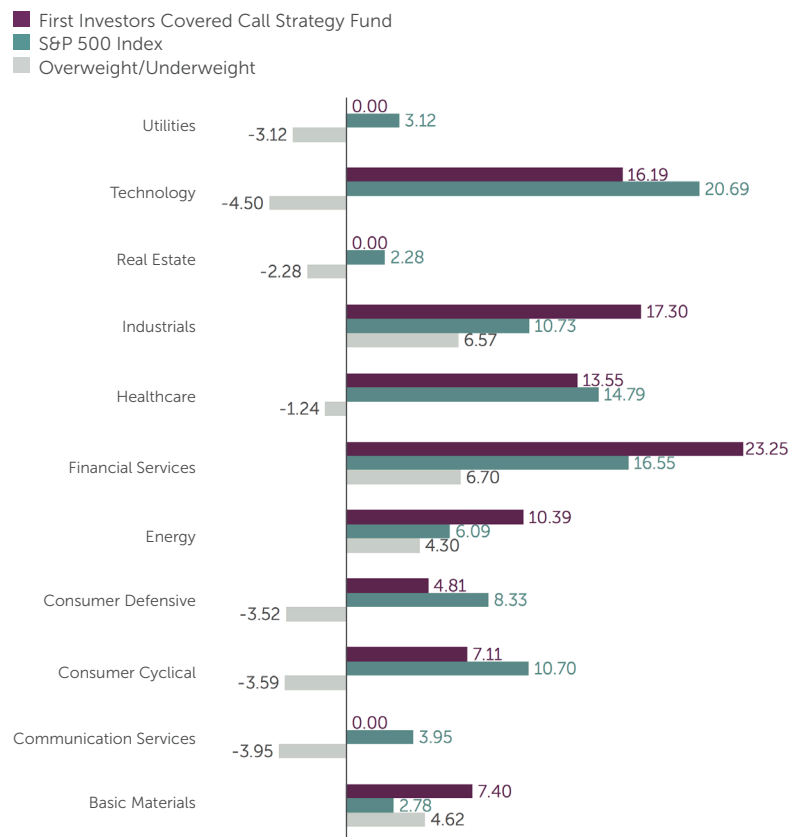
The **Standard & Poor's 500 Growth Index (S&P 500 Growth)** is a capitalization-weighted index of 500 stocks that exhibit strong growth characteristics.

The **Standard & Poor's 500 Value Index (S&P 500 Value)** is a capitalization-weighted index of 500 stocks that exhibit strong value characteristics.

Tracking Error measures the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

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, Market Risk, Mid-Size and Small-Size Company Risk, Security Selection Risk, High Portfolio Turnover Risk and Tax Risk. Past performance is no guarantee of future results.

Sector Overweight/Underweight (% of Total) as of 9/30/17



Source: Morningstar Direct, 9/30/17.

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