

# 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 9/30/18

Equity Holdings 288  
Futures and Options 4

## 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)

Kent M. Stahl, CFA, since 8/1/16  
(Wellington)

## Market Overview

Despite simmering trade tensions, U.S. equities produced their best quarter in nearly five years as stocks were fueled by strong U.S. economic growth and upbeat corporate earnings. Economic data supporting the rally included second quarter GDP of 4.2% September's U.S. consumer confidence hitting its highest level since 2000 and average monthly initial jobless claims falling to the lowest level in almost 50 years.<sup>1</sup>

Large-cap stocks, which lagged last quarter, were the strongest market capitalization. The S&P 500 Index returned 7.71%, its best quarter since the fourth quarter of 2013. The Dow Jones Industrial Average outperformed other major indexes with a gain of 9.63% for the quarter. Small caps (measured by the Russell 2000 Index) gained 3.58% for the quarter. Small caps continued to outperform the broad market for the year as they are mostly domestic-centric companies and, therefore, are less impacted by international trade tensions.

As part of a wider restructuring of the Global Industry Classification Standards, the Telecommunication Services sector was replaced by Communication Services which now includes several FAANG<sup>2</sup> names such as Alphabet, Facebook and Netflix.<sup>3</sup> This move dramatically alters the sector's characteristics, incorporating a higher risk/return profile at the expense of its historically greater dividend yields. Healthcare, which benefited from a sector rotation accompanied by receding regulatory fears, was the best performing sector for the quarter with a return of 14.53%, outpacing Information Technology which gained 8.80%.

## Performance Review

The First Investors Hedged U.S. Equity Opportunities Fund was up 4.35% (Advisor Class) for the quarter vs. 5.12% for the Fund's custom benchmark. The equity strategies posted a positive absolute return, but underperformed on a relative basis driven by both security selection and sector allocation. The Fund's hedging strategy also detracted from performance during the quarter.

Within the equity strategies, security selection was a detractor, particularly in the Consumer Discretionary, Information Technology, and Healthcare sectors. This was partially offset by strong selection in the Industrials, Financials, and Materials sectors. Sector allocation, a residual of the bottom-up stock selection process of the underlying managers, also was a negative contributor, with the Fund's underweight to Information Technology and an overweight to Real Estate detracting the most. This was partially offset by an underweight to Energy and an overweight to Industrials. Our decision to not hold Apple and Amazon.com were the top detractors from relative performance, while the decision to eliminate our position in Facebook and overweight exposure to Exact Sciences were the top relative contributors.

The hedging strategy detracted from results. The beta hedge, which is designed to reduce the Fund's equity exposure through selling futures on U.S. indexes, which were up during the period, detracted from results. The Fund's market-tail risk management strategy, which is designed to mitigate capital losses in periods when equities experience a sharp decline, also detracted during the period due to rising U.S. markets.

<sup>1</sup> Source: Bloomberg, 9/30/18. Represents quarter-over-quarter, annualized.

<sup>2</sup> FAANG stocks also include Amazon and Apple. Google has re-branded itself as Alphabet.

<sup>3</sup> Source: MSCI, "The New GICS Communication Services Sector." This was part of a major restructuring of the Global Industry Classification Standards that occurred on 9/24/18, and saw several sectors reclassified.

## First Investors Hedged U.S. Equity Opportunities Fund

## Outlook

Mixed economic data from the U.S. suggests the potential for a later stage market cycle. While we continue to expect economic expansion, we also expect to see growth slow. Positive drivers of growth include elevated capital expenditure intentions, the highest consumer confidence levels since 2000 and increased income expectations. While these signal a near-term increase in investment and consumption, other news points to a potential slowing of economic expansion. Specifically, the tight labor market combined with the continued uncertainty with regards to trade agreements between the U.S. and its trade partners may lead to increased inflation and slower growth. As such, we continue to expect to see higher interest rates and increased equity market volatility.

Against this backdrop of macroeconomic uncertainty, we look to growth and value exposures to provide upside optionality and quality allocations to dampen risk in pursuit of a risk stance that is generally in-line with the market. In our risk-completion portfolios, we seek a diversifying exposure that helps to protect the portfolio during market drawdowns. In the U.S., low-volatility exposures have been demonstrating significant interest rate sensitivity and, as a result, we favor dividend growth to obtain this risk dampening exposure.

## Average Annual Total Return Performance as of 9/30/18 (%)

Class	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Expense Ratio Gross (%)	Expense Ratio Net (%)
A (without sales charge)	4.20	6.54	10.49	-	-	-	8.37	8/1/2016	2.09	1.75
A (with sales charge)	-1.82	0.42	4.11	-	-	-	5.45	8/1/2016	2.09	1.75
Advisor	4.35	6.86	10.92	-	-	-	8.76	8/1/2016	1.76	1.42
Institutional	4.34	6.85	11.00	-	-	-	8.84	8/1/2016	1.74	1.31
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	5.12	7.80	12.64	12.06	9.53	8.65	-			
Russell 3000 Index	7.12	10.57	17.58	17.07	13.46	12.01	-	12/31/1978		
BofA 3-month Treasury Bill	0.49	1.30	1.59	0.84	0.52	0.34	-	12/31/1978		
Options-based	3.33	3.14	5.11	6.75	4.80	3.54	-	12/7/1977		

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

## Calendar Year Returns (%)

	2017	2016	2015	2014	2013	2012
A (without sales charge)	12.26	-	-	-	-	-
Advisor	12.65	-	-	-	-	-
Institutional	12.85	-	-	-	-	-
Russell 3000 (70%)/BofA 3-mo. Treasury Bill (30%)	14.72	9.07	0.60	8.80	22.65	11.46
Russell 3000 Index	21.13	12.74	0.48	12.56	33.55	16.42
BofA 3-month Treasury Bill	0.86	0.33	0.05	0.03	0.07	0.11
Option-based	8.58	4.19	-0.75	4.22	12.05	5.89

## Top Ten Holdings as of 9/30/18 (%)

Holding	Industry	% of Total
American Express Co.	Financial Services	1.4
Canadian National Railway Co.	Industrials	1.4
Genesee & Wyoming, Inc.	Industrials	1.1
Bristol-Myers Squibb Co.	Healthcare	1.1
Public Storage	Real Estate	1.1
PNC Financial Services Group, Inc.	Financial Services	1.1
American Tower Corp.	Communication Services	1.1
NIKE, Inc.	Consumer Cyclical	1.1
TJX Companies, Inc.	Consumer Cyclical	1.0
Union Pacific Corp.	Industrials	1.0

## First Investors Hedged U.S. Equity Opportunities Fund

### 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 Risk and Tax Risk. Past performance is no guarantee of future results.

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 [foresters.com](http://foresters.com).

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*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 [foresters.com](http://foresters.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.*