

First Investors Funds

First Investors Premium Income Fund

Ticker

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

Fund Inception Date

4/2/2018 (All classes)

Dividend Distribution

Quarterly

Benchmark

CBOE S&P 500 Buy Write (BXM) Index

Morningstar Category

Options-based

Number of Holdings as of 9/30/18

Equity Holdings 50
 Covered Call Options 192

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

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.¹

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% and 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 FAANG² names such as Alphabet, Facebook and Netflix.³ This move dramatically alters the sector's characteristics, incorporating a higher risk/return profile at the expense of its historically greater dividend yields. Health Care, 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 Premium Income Fund returned 2.02% (Advisor Class) vs. 4.91% for the benchmark CBOE S&P 500 Buy Write Index (BXM). The Fund substantially outperformed the Bloomberg Barclays Aggregate Bond Index's (Aggregate Bond Index) 0.02% during the third quarter. Over the past six months, the Fund has returned 3.18% versus -0.14% for the Aggregate Bond Index.

During the third quarter, the Fund produced a standard deviation of 2.16%. In comparison, the Aggregate Bond Index produced a higher standard deviation of 2.36%. Interest rates rose during both the quarter and the year-to-date periods, resulting in negative price returns for bonds. Over the past year, the Aggregate Bond Index has returned -1.22%. We expect the Federal Reserve to continue with rate increases through 2019, resulting in continued pressure on bond prices, making the Premium Income Fund an attractive vehicle for diversification away from fixed income. The Fund has produced a negative correlation to the Aggregate Bond Index of -33.3% since inception, making it an effective complement to bond allocations. The Fund produced a lower standard deviation of daily returns than the Aggregate Bond Index because the call options in the Fund were placed deep in-the-money, thus providing a large amount of downside protection, which neutralizes the majority of the underlying stocks' price movements.

Equity markets produced strong returns during the third quarter, with the S&P 500 gaining 7.71% and the BXM returning 4.91%, resulting in a decline in implied volatility. While implied volatility declined on Index-based call options, the implied volatility of the actively managed single-stock call options in the Fund remained attractive at 25.2%, in line with the value at the beginning of the quarter, due to our strict option selection process. In addition to an implied volatility advantage, the Fund also has a valuation advantage relative to the S&P 500, with a forward price/earnings ratio of 13.0 to the S&P 500's 16.8. As we enter the fourth quarter, the Fund is well positioned with attractive call options that provide not only downside protection, but also compelling risk-adjusted returns.

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

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

³ 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 Premium Income Fund

Outlook

The Fund is well positioned with attractively valued equities with strong fundamentals and attractive call options. The stocks in the Fund begin the fourth quarter with a forward price-to-earnings ratio of 13.0 vs. 16.8 for the S&P 500. The call options average 16% in-the-money, providing not only significant downside protection, but also compelling risk-adjusted returns when held in conjunction with the equities in the Fund.

While after-tax S&P 500 earnings growth are expected to slow to 13.1% over the next twelve months, the growth rate is nearly double the long-term average, and is above the all-time record level of earnings. It's not only corporate earnings that have surpassed record levels, but also corporate profit margins. Also, consumers are in a strong financial position as their balance sheets are healthy and households have been saving more than 6% of their disposable income every year for the past five years, a rate rarely seen during the last cycle. Recession risk has historically been low during periods when corporate profitability is elevated and consumers have a high propensity to save which should allow the current expansion to continue well into 2019.

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 (%)	Net (%)
A (without sales charge)	1.88	–	–	–	–	–	3.06	4/2/2018	1.41	1.30
A (with sales charge)	-4.29	–	–	–	–	–	-2.87	4/2/2018	1.41	1.30
Advisor	2.02	–	–	–	–	–	3.18	4/2/2018	1.13	1.02
Institutional	1.97	–	–	–	–	–	3.27	4/2/2018	1.00	0.89
CBOE S&P 500 Buy Write Index	4.91	6.78	9.76	10.34	9.00	6.65	–	6/30/1986	–	–
S&P 500 Index	7.71	10.56	17.91	17.31	13.95	11.97	–	9/11/1989	–	–
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.

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

Holding	Industry	% of Total
American Express Co.	Financial Services	4.8
DowDuPont, Inc.	Basic Materials	4.5
JPMorgan Chase & Co.	Financial Services	4.3
Intel Corp.	Technology	4.2
CBS Corp.	Consumer Cyclical	4.1
Halliburton Co.	Energy	4.1
Broadcom, Inc.	Technology	4.0
Honeywell International, Inc.	Industrials	3.9
Chevron Corp.	Energy	3.9
Mondelez International, Inc	Consumer Defensive	3.8

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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 **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 **CBOE S&P 500 Buy Write Index (BXM)** 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 US 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 U.S.

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

Standard Deviation

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation.

Correlation

Correlation is a statistic that measures the degree to which two securities move in relation to each other.

Deep in-the-money

A deep in-the-money option has an exercise, or strike price, significantly below (for a call option) or above (for a put option) the market price of the underlying asset. The value of such an option is nearly all intrinsic value and minimal premium.

Intrinsic value

The in-the-money portion of an option's premium.

Implied volatility

The volatility percentage that produces the best fit for all underlying option prices on that underlying stock.

Source: The Options Industry Council, NASDAQ, investorwords.com, Investopedia

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 Depositary 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.

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.

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