

# First Investors Special Situations Fund



**Morningstar Rating™<sup>1</sup>**

Class A shares rated 4 overall stars by Morningstar among 362 Small Value funds for the period ended 9/30/18 based on risk-adjusted performance.

## A small-cap value catalyst approach to long-term growth

A Class Shares: FISSX

Advisor Class Shares: FISTX

The First Investors Special Situations Fund leverages an event-driven approach to uncover undervalued stocks. The Fund's less conventional style in uncovering overlooked opportunities and unlocking company value distinguishes it from its peers.



**Steven Hill**

Senior Portfolio Manager

## Propelling portfolio growth with small-cap value

### A fundamental building block

Small-cap equities are an essential asset class in building a well-rounded portfolio, with characteristics offering a number of advantages to investors. First, small-cap public companies outweigh their large-cap peers by about 100% (see *Exhibit 1*), providing a solid opportunity for active managers to discover attractive prospects.

### Home country focus

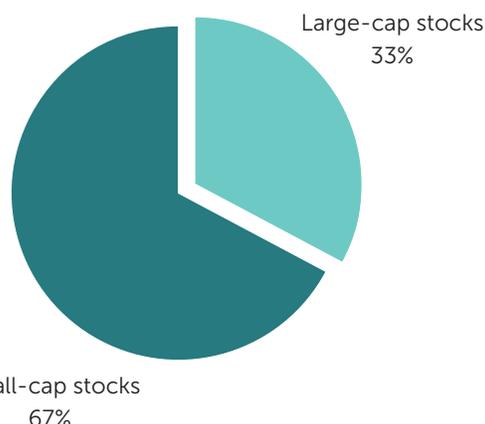
With more of a local focus, small caps tend to have greater synergies with their domestic economies compared to large- and mid-cap companies that are more likely to derive revenues from overseas.

### Timely market recovery

Small caps have also shown a greater tendency toward earlier recoveries following market declines than their larger-cap counterparts (see *Exhibit 2*), giving them the potential to outperform before the rest of the market.

### Exhibit 1: Greater number of opportunities<sup>2</sup>

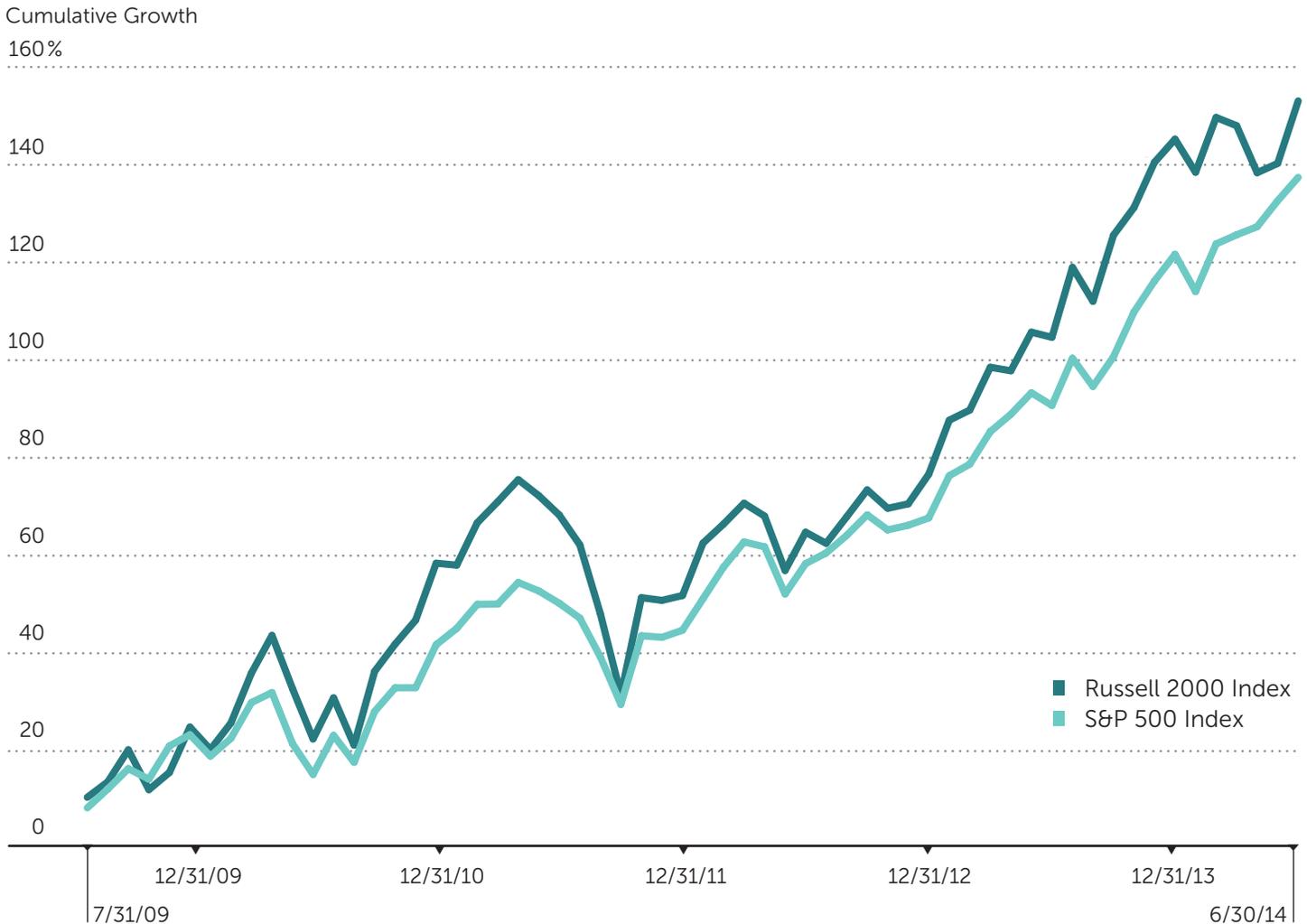
U.S. Equity market cap breakdown



Source: FTSE Russell, 5/11/18. U.S. Equity represented by the Russell 3000, small-cap stocks represented by Russell 2000 Index, large-cap stocks by Russell 1000 Index.

## Exhibit 2: Early market recovery

Small caps had a larger cumulative return for the five years following the Great Recession than the broader market



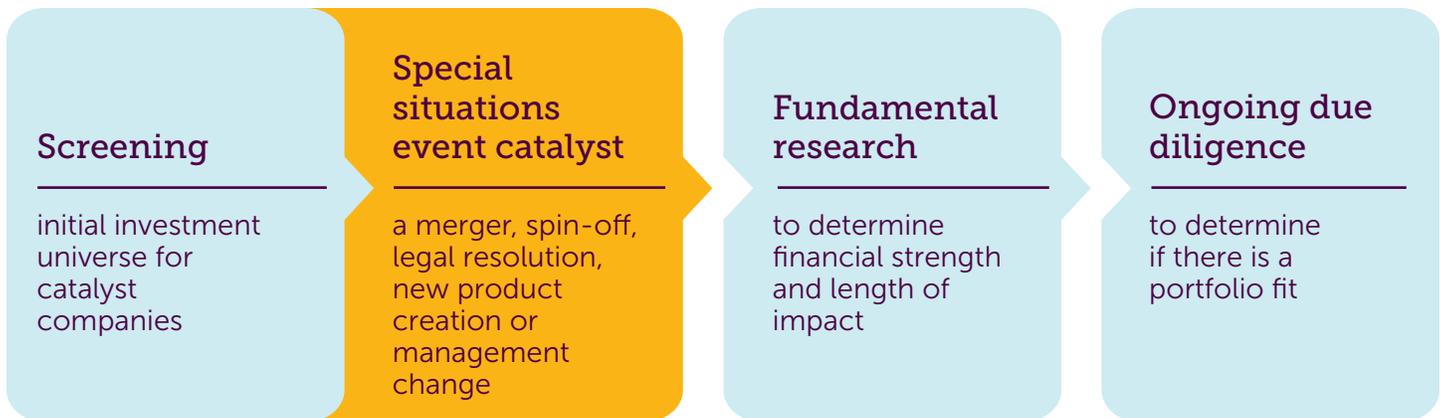
Source: Morningstar.

### A distinctive investment approach

The First Investors Special Situations Fund utilizes an event-driven investment approach to find value and drivers of companies' earnings outside of the more conventional research methods. Companies recognized as having a catalyst are undergoing (or are believed to be going through), a merger, spin-off, legal resolution, new product creation or management change. These types of events typically lead to some investors discounting the potential long-term value of a firm. Fundamental research, a crucial component of the team's

investment approach, is applied to further examine the identified catalysts and to validate stock selection by determining financial strength, management experience, attractiveness of valuations, strength of cash flows, earnings growth potential and its consistency. A final step in the due diligence research process is assessing the impact on a stock-specific level across short-, intermediate- and long-term time horizons.

## Our distinct investment approach



### A trusted firm with a rich history

The First Investors Special Situations Fund is led by Steven Hill, Portfolio Manager since 2013. Steven joined First Investors as an analyst in 2002 and became a portfolio manager in 2004. Previously, he was an investment banker at UBS, CS First Boston and HSBC plc. In that role, Steven was responsible for working on M&A and equity underwriting transactions, which provides the expertise and the framework necessary for the Fund's unique special situations-catalyst approach. He is supported by an experienced team of investment research analysts that further reinforces the Fund's

fundamental analysis and catalyst approach with coverage across various sectors and industries.

First Investors Funds has a long history of managing active mutual funds across multiple asset classes with an approach seeking to deliver consistent long-term performance and risk management. Our parent company, Foresters Financial, is an international financial services provider with over three million clients globally and over \$35 billion in assets under management. With a history of more than 140 years, Foresters Financial provides life insurance, savings, retirement and investment solutions.

1 For the three-, five- and 10-year periods, respectively, the Fund was rated 3, 4 and 4 stars among 362, 317 and 226 funds in the U.S. Small Cap Value funds category for the time period 9/30/18. 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. © 2018 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Current performance may be lower or higher than the performance shown.

2 Source: FTSE Russell, Russell 3000 index comprises 3,022 companies with 67% or 2,030 companies, recognized as small cap. As of 5/11/18.

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 Russell 1000 Index measures the performance of the large- capitalization segment of the U.S. equity universe. The Russell 1000 Index is a subset of the Russell 3000® Index representing approximately 90% of the total market capitalization of that Index.

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.

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