

# 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 6/30/17

Number of Equity Holdings 33  
Number of Covered Call Options 52

## Portfolio Managers

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

## Market Overview

U.S. equities were positive again in June, posting new records and capping off a strong quarter and first half of the year. The S&P 500 Index returned 0.62% for the month of June, 3.09% for the quarter and 9.34% year-to-date. This was the seventh consecutive positive quarter for the Index.

Improving economic fundamentals across the board in the U.S. continued to be influenced by low inflation, solid employment numbers, low market volatility and strong corporate earnings which increased 14% from last year, their best growth since 2011. From a price-to-earnings perspective, the equity market is slightly rich, but dividend yields and price-to-book ratios are more reasonably priced.

Since November's U.S. presidential election, the equity market volatility has been relatively benign with the S&P 500 Index having an intra-period decline of only 3% in 2017. Over the past 20 years, market intra-calendar year declines of more than 10% have not been an uncommon occurrence. While the market is expected to continue to be positive, and there are no signs of an imminent recession, market volatility will likely increase in the near term.

## Performance Review

The First Investors Covered Call Strategy Fund returned 0.62% (Advisor class) for the quarter and significantly lagged its benchmark, the CBOE S&P 500 Buy Write Index, which gained 3.07%. The Fund invests in a diversified portfolio of large-cap stocks and writes individual call options on each of these stocks to earn income from collected call premiums. The second quarter underperformance came entirely from the Fund's stock portfolio which significantly underperformed stocks in the benchmark while the call options in the Fund marginally outperformed the index call options in the benchmark. Within the Fund's stock portfolio, most of the underperformance can be attributed to stock selection and value tilt. Value stocks (measured by the S&P 500 Value Index) returned 1.51% for the quarter; while core stocks (measured by the S&P 500 Index) returned 3.09% and growth stocks (measured by the S&P 500 Growth Index) 4.42%. Year-to-date, growth outperformed value by 8.48%. The value style came back into favor in June, which profited the Fund. The Fund is overweight to financials because the portfolio manager believes that Trump's pursuit of deregulation will benefit the sector. The Fund is also positioned toward stocks likely to benefit from a gradually improving economy, potential overseas cash repatriation, higher interest rates, and the industrial/manufacturing recovery that has gained traction. Going forward, the Fund may likely keep strike prices closer to existing stock prices than in the past in order to increase both call income and downside protection.

## First Investors Covered Call Strategy Fund

## Average Annual Total Return Performance as of 6/30/17 (%)

Class	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	Expense Ratio	
									Gross (5%)	Net (%)
A (without sales charge)	0.57	4.12	9.08	–	–	–	8.44	4/1/2016	1.48	1.30
A (with sales charge)	-5.21	-1.86	2.79	–	–	–	3.41	4/1/2016	1.48	1.30
Advisor	0.62	4.34	9.42	–	–	–	8.75	4/1/2016	1.12	0.97
Institutional	0.66	4.40	9.56	–	–	–	8.94	4/1/2016	1.05	0.84
CBOE S&P 500 Index		7.21	12.06	6.49	7.73	4.62	–	6/30/1986	–	–
S&P 500 Index		9.34	17.90	9.61	14.63	7.18	–	9/11/1989	–	–
US Fund Option Writing		3.76	7.12	2.62	5.09	1.90	–	12/7/1977	–	–

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

## Calendar Year Returns as of 6/30/17 (%)

	YTD	2016	2015	2014	2013	2012
A	4.12	–	–	–	–	–
Advisor	4.34	–	–	–	–	–
Institutional	4.40	–	–	–	–	–
CBOE S&P 500 BuyWrite BXM	7.21	7.07	5.24	5.64	13.26	5.20
S&P 500 TR USD	9.34	11.96	1.38	13.69	32.39	16.00
US Fund Option Writing	3.76	4.19	-0.75	4.22	12.05	5.89

## Top Ten Holdings as of 6/30/17 (%)

Holding	Industry	% of Total
Dow Chemical Co.	Basic Materials	5.00
JPMorgan Chase & Co.	Financial Services	4.90
Medtronic, PLC	Healthcare	4.70
Bank of America Corp.	Financial Services	4.50
Honeywell International, Inc.	Industrials	4.30
Allergan, PLC	Healthcare	4.30
Apple, Inc.	Technology	4.10
Raytheon Company	Industrials	4.10
Goldman Sachs Group, Inc.	Financial Services	3.90
Oracle Corp.	Technology	3.80

## Leading Stock Contributors

	Contribution
Oracle Corp	0.44
Medtronic PLC	0.37
BlackRock Inc	0.34
Whirlpool Corp	0.31
Honeywell International Inc	0.30

## Leading Stock Detractors

	Contribution
AutoZone Inc	-0.40
Halliburton Co	-0.40
General Electric Co	-0.26
Cisco Systems Inc	-0.25
Intel Corp	-0.18

## Modern Portfolio Theory Statistics as of 6/30/17

	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	–	6.24	10.35	4.53	–	5.87	9.56	4.24	–	11.39	15.21	7.74
Alpha	–	0.00	1.19	-1.51	–	0.00	4.23	0.22	–	0.00	2.06	-1.26
Beta	–	1.00	1.33	0.63	–	1.00	1.31	0.62	–	1.00	1.19	0.63
Sharpe Ratio	–	1.00	0.92	0.54	–	1.27	1.46	1.15	–	0.41	0.50	0.22
Information Ratio	–	0.00	0.45	-1.14	–	0.00	1.07	-0.80	–	0.00	0.34	-0.50
Tracking Error	–	0.00	6.54	3.19	–	0.00	5.98	3.07	–	0.00	7.28	5.22
R2	–	100.00	63.95	76.01	–	100.00	64.51	74.59	–	100.00	79.22	84.76

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](http://firstinvestors.com).

# First Investors Covered Call Strategy Fund

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

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

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

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

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

**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.

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

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

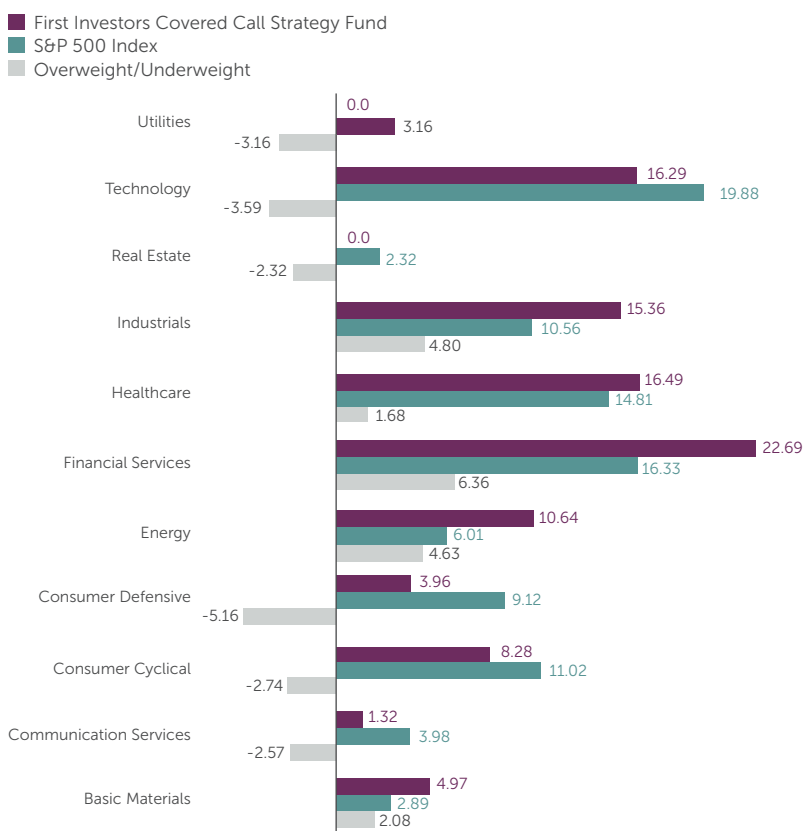
**Sharpe Ratio** measures reward vs. risk; a higher number is more favorable.

**Information Ratio:** In investing terminology, 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.

**Tracking Error:** Measure of 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 6/30/17



Source: Morningstar Direct, 6/30/17. Past performance does not guarantee future results.

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