

First Investors Funds

Special Situations



Steven Hill

Portfolio Manager, Special Situations Fund

Steven S. Hill serves as Portfolio Manager of the Special Situations Fund and Co-Portfolio Manager of the Opportunity Fund. Mr. Hill joined Foresters Investment Management Company, Inc. (FIMCO) in 2002 as an equity analyst. Prior to joining FIMCO, Mr. Hill was employed by UBS Warburg, LLC (1999-2001) where he was a Director in their healthcare group and worked primarily on mergers and acquisitions. Prior to that, Mr. Hill was an investment banker for HSBC Securities (USA) Inc. (1996-1999).

Fund Facts

Class	Symbol	Inception Date
Class A	FISSX	Sept. 18, 1990
Class B	FIXBX	Jan. 12, 1995
Advisor	FISTX	Apr. 3, 2014
Institutional	FISUX	Apr. 3, 2014

Using Milestones to Select "Small Cap" Stocks

Mutual fund managers use different investment methods to select securities for their portfolios. Some managers depend on technical analysis—where the price movements of securities indicate buying opportunities—while others rely on examining global economic developments and macroeconomic data to choose securities.

Steven Hill, Portfolio Manager of First Investors' Special Situations Fund, invests primarily in common stocks of small-size U.S. companies experiencing a "special situation" that makes them undervalued relative to their long-term potential.

The Search for Catalysts

Steven Hill, who has been with First Investors for 14 years, and who also co-manages the First Investors Opportunity Fund, identifies promising companies using a more fundamental investing style supported by a team of sector analysts. He and his team search for catalysts, or special situations, which he calls "discrete, significant events that unlock shareholder value." Catalysts include mergers, spin-offs, litigation resolution, new products or management changes.

Hill states that "understanding a company's catalysts and the story behind them is a key element to our selection of investments for the Fund." His emphasis on catalysts is important to his fundamental style of equity investing. "If you have a reason to buy the stock, how do you know your reason is correct? How will you know if your perception of the stock's true value is accurate?" he asks. Hill says one way to know is to monitor catalysts as they are moments in time that test his investment thesis.

The Fund uses a "bottom-up" approach to selecting investments. Fundamental research is conducted to search for companies that have one or more of the following: a strong balance sheet; experienced management; above-average earnings growth potential; and stocks that are attractively priced. While the Fund invests primarily in common stocks of small-size companies that the adviser believes are undervalued, the Fund may also invest in stocks of mid-size or large companies. Hill states: "Our focus is on finding special situations of small, good quality companies."

Benefits of Investing in Smaller Companies

Hill explains small-cap stocks may have more dramatic earnings leverage. "With large-cap stocks, delivering large earnings can sometimes be like turning an aircraft carrier, he says. "By comparison, small caps may be able to grow their existing businesses substantially in a shorter period of time." However, with greater appreciation opportunities comes greater price volatility. "Small-cap companies may only sell one product in one end market, which means they are less diversified. Large-cap

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companies may be selling multiple products in multiple geographies. That makes for better earnings predictability and less volatility," Hill explains. That said, Hill believes small-cap stocks should be part of an investor's diversified portfolio. "When it comes right down to it, small caps can have different profitability profiles during different economic periods," Hill says.

As an example of this investment approach, Hill cites the Fund's position in Generac Holdings, a maker of standby generators for homes.

In researching Generac Holdings, Hill and his team have identified synergies with related product lines and recently acquired assets that he believes have the potential to drive further earnings upside.

How well a company treats its shareholders is also important to Hill. "If the company is making a lot of profits—but is using those profits to buy corporate jets—then I'm not interested. But when management uses the profits to increase the dividend, repurchase its shares, or make smart acquisitions—that gets my attention."

Communication with the management of portfolio companies is a key element of Hill's investment strategy. As Hill explains, "Our team of sector analysts are consistently reaching out to company management, to make sure that our perceptions and understandings of the company square with the reality."

A company's short-term performance is subject to market behavior and can be volatile and become disconnected from the real or intrinsic value of the company. Thus, Hill's focus is on long-term results. Hill states that "It's my job to maximize our shareholders' returns, and I measure my success against a peer group of similar funds."

In light of the Special Situations Fund's focus on smaller, faster growing companies, the Fund will appeal to investors who are seeking significant growth of capital, want exposure to investments in small-sized companies, have a long-term outlook and high tolerance for risk. Longer term, inclusion of the Fund adds diversification benefits to a portfolio. "Within any given year, one asset class may outperform another simply by market cap. Because small-cap stocks have different characteristics, it should therefore be part of an investor's diversification strategy," Hill states.

The Fund typically holds over 100 different stocks. Hill believes that the portfolio ordinarily "needs to hold at least 100 stocks to provide for adequate diversification and risk mitigation" for shareholders.

Steven Hill is affiliated with Foresters Investment Management Company, Inc. (FIMCO), the investment adviser to the First Investors Family of Funds and an affiliate of Foresters Financial Services, Inc. Securities products are offered through Foresters Financial Services, Inc.

The views expressed in relation to the market, the purchase or sale of any specific security, as well as the holdings for the Fund reflect events as of 9/30/15, unless otherwise indicated. They may or may not reflect events on the date this material is published or used.

The views herein may change based on market and other conditions. Nothing herein is intended to be a forecast of future events, as a recommendation of a specific security or investment strategy. Investment decisions should be made based on an individual's goals, time horizon and risk tolerance. All investing involves risk, including risk of loss. Past performance is no guarantee of future results. Stock markets are volatile and can decline significantly in response to adverse issues, including political, regulatory, market or economic developments. Individuals cannot invest directly in an index. Indices are unmanaged and do not reflect the performance of any particular security. There is no guarantee that investment objectives will be met.

Investment Adviser: Foresters Investment Management Company, Inc. is the Fund's investment adviser.

Portfolio Manager: Steven Hill has served as Portfolio Manager of the Fund since September 2013.

For more information about First Investors Funds from Foresters Financial Services, Inc., you may obtain a free prospectus by contacting your Representative, writing to the address below, calling 800 423 4026 or visiting our website at forestersfinancial.com. You should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. The prospectus contains 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.

Investment Objective: The Fund Seeks Long-Term Growth of Capital

Fees and expenses of the Fund: You may qualify for sales charge discounts if you invest, or agree to invest in the future, at least \$100,000 in certain classes of shares of First Investors Funds. More information about these and other discounts and fees is available from your Representative as well as the Fund's prospectus.

Focus: The Fund invests primarily in common stocks of small-size companies that the Fund's adviser believes are undervalued, and generally invests in companies that are experiencing a "special situation" that makes them undervalued relative to their long-term potential. Developments creating special situations may include mergers, spin-offs, litigation resolution, new products, or management changes. The Fund may also invest in stocks of mid-size or large companies.

The Fund uses a "bottom-up" approach to selecting investments. The Fund uses fundamental research to search for companies that have one or more of the following: a strong balance sheet; experienced management; above-average earnings growth potential; and stocks that are attractively priced.

The Fund may sell a stock if it becomes fully valued, it appreciates in value to the point that it is no longer a small-size company stock, its fundamentals have deteriorated or alternative investments become more attractive.

You can lose money by investing in the Fund.

The Fund is intended for investors who:

- Are seeking significant growth of capital,
- Want exposure to investments in small-size companies,
- Are willing to accept a high degree of investment risk, and
- Have a long-term investment horizon and are able to ride out market cycles.

Here Are the Principal Risks of Investing in the Fund:

Market Risk. Stock prices may decline over short or even extended periods not only because of company-specific developments, but also due to an economic downturn, adverse political or regulatory developments, a change in interest rates or a change in investor sentiment.

Small-Size and Mid-Size Company Risk. The market risk associated with stocks of small- and mid-size companies is generally greater than that associated with stocks of larger, more established companies because stocks of small- and midsize companies tend to experience sharper price fluctuations. At times, it may be difficult for the Fund to sell small-to-mid-size company stocks at reasonable prices.

Undervalued Security Risk. The Fund seeks to invest in stocks that are undervalued and that will rise in value due to anticipated events or changes in investor perceptions. If these events do not occur, or investor perceptions about the securities do not improve, the market price of these securities may not rise as expected or may fall.

Security Selection Risk. Securities selected by the portfolio manager may perform differently than the overall market or may not meet the portfolio manager's expectations.

An investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. Updated performance information is available by visiting forestersfinancial.com or by calling 800 423 4026. Sales charges are not reflected in the performance shown, and if those charges were included, returns would be less than those shown.

Prior to September 23, 2013, the Fund was managed by a subadviser. Therefore, the performance shown for the Fund for the periods prior to that date is not necessarily reflective of how the Fund will perform in the future.

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