First Investors Funds

Market Commentary

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Brian Watts, CFA®

Director, Research and Strategy

Brian Watts is Director of Research and Strategy for Foresters Investment Management Company, Inc. (FIMCO). Brian is responsible for several areas, including oversight of subadvisers, new manager search and selection, investment strategy development, asset allocation study and tools, development and management of new advisory portfolios and product development. Brian has more than 20 years of experience in the financial services industry, having worked at Fortune 500 financial services firms developing and overseeing investment platforms.

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Why You Need Real Estate In Your Investment Portfolio

Beyond stocks and bonds, there are many good reasons to keep a portion of your investment portfolio in real estate securities.

Historically, real estate has a low correlation to stocks and bonds, meaning it can improve your portfolio's overall diversification—reducing risk and volatility. This diversification is a result of real estate having different drivers of return than that of other equities and bonds. It also acts as a hedge against inflation because property owners can often increase rents quickly when prices rise. But investment real estate—when managed correctly—can also reduce risk because longer lease terms are less vulnerable to short-term economic and market events than stocks and bonds. In addition to these diversification benefits, real estate can also help enhance a portfolio's return.

Contrary to popular wisdom, your home does not count as a real estate investment. For one, you can't sell your home at the drop of a hat—you depend on your home for shelter. Furthermore, you don't generally realize the same tax benefits from your home that you would from investment property ownership.

To truly reap the benefits of real estate in your portfolio, you need to either buy investment properties outright or invest through other vehicles. The best option for many investors is real estate investment trusts, or REITs.

Benefits of REITs

REITs are companies that own a variety of commercial real estate properties, including office buildings, hotels, warehouses and shopping malls. They were created by Congress in 1960 as a way to allow investors to enjoy the rental income from commercial property ownership without the burdens that come with owning investment real estate outright. REITs must distribute at least 90 percent of their taxable income each year as dividends, producing a reliable or steady income stream for shareholders.

REITs also reduce the risks of investing in real estate because they can own many properties spread over different geographic areas and properties. Investors who own just one or two investment properties in a particular market, on the other hand, are vulnerable to that market's specific condition and performance.

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For even greater diversification, a better choice for many investors is to invest in REIT funds. These are funds that own shares of multiple REITs, often across many different sectors and regions. Rather than having exposure to only one REIT, the Fund invests in a number of REITs. An actively managed REIT fund allows investors to benefit from the manager's ability to change the fund's exposure as the real-estate climate changes and to take advantage of the current market climate.

A New Opportunity

The Fund will invest across a broad spectrum of publicly traded REITs. It will look to invest in only high-quality REITs that have strong cash flows and low amounts of debt. The actively managed fund will focus on identifying markets and sectors that the investment adviser believes offer the best opportunities based on current market conditions and the interest-rate environment.

The Fund's investors will benefit from the experienced management of Portfolio Manager Vincent Kwong.

Speak with your Representative to discuss how real estate investments may complement your portfolio and to find out more about the new REIT fund.

IMPORTANT DISCLOSURES:

For more information about any First Investors mutual fund 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.

The Principal Risks of investing in the Fund are: Industry Concentration Risk; Interest Rate Risk; Liquidity Risk; Market Risk; Mid-Size and Small-Size Issuers Risk; Nondiversification Risk; Prepayment and Extension Risk; Real Estate Investments Risk; REIT Risk; Security Selection Risk.

The views expressed herein are based on the information available at the time they were issued and may change based on market or other conditions. nothing herein should be construed as investment advice or be relied upon to make an investment decision. Investment decisions should be based on an individual's personal goals, time horizon and risk tolerance. any forward-looking statements made herein are based on assumptions of future events. actual events are difficult to predict and may differ from those assumed, thus there is no guarantee that forward-looking statements will materialize. all investing involves risk, including the risk that you can lose money. past performance does not ensure future results.

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40 Wall Street, New York, NY 10005 / forestersfinancial.com