First Investors Funds

Market Commentary

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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.

Foresters Financial

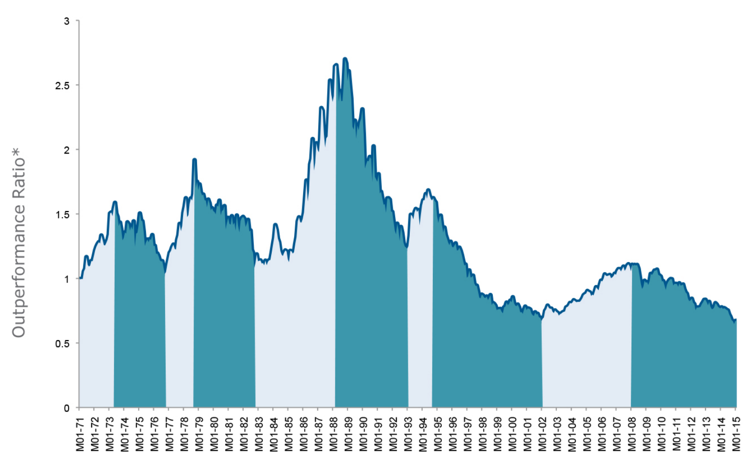
Top Reasons You Should Look Overseas for Investment Opportunities

Did you know that investing exclusively in the United States limits your potential investment opportunities significantly? While the U.S. is an important driver of world growth and performance returns, it only represents about half of the potential investment opportunities in the world today. If you're not investing internationally, or the overseas component of your investment portfolio is less than 5 percent, you could be missing out on future gains.

We know that the market tends to move in cycles. For example, when stocks are doing well, bonds generally are not. And when the U.S. stock market is up, the international markets are typically down.

Currently, U.S. stocks are doing extremely well, and the U.S. has been leading international markets since 2008. In fact, the U.S. is in its second longest winning cycle since 1994. So what exactly does that mean for you and your money? If you've been investing exclusively in the U.S. stock market for the past seven years, you've probably done well. However, if history is a guide, at some point, the tide will shift from U.S. to international outperformance.

International vs. U.S. Performance Cycles



Source: Morningstar Direct | Data are of 2/28/2015

* *The outperformance ratio represents how much the U.S. equity markets, as represented by the S&P 500 Index, have outperformed (when the value is below one) or how much international equity markets, as represented by the MSCI EAFE Index, have outperformed (when the value is above one).*

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The Case for International Stock Investing

Foresters Financial Services, Inc., along with many other large financial companies, believes that shift may occur soon. If you have little or no international exposure, you might want to give these investments a second look, for several reasons.

- Diversification. One of the most basic investing principles is diversification. If you're invested in a variety of vehicles, you may benefit from different market scenarios. For example, if you're only invested in the U.S. and the international markets outperform for the next five years, you would miss out on those gains for an extended period of time.
- Growth. Other, newer markets, such as emerging market countries, may have the potential for stronger growth than older, more established countries like the US. For example, the growth recently seen in India and China has surpassed U.S. growth because their countries and infrastructures are growing at a much more robust pace.
- Lower risk. By having a well-diversified portfolio (ie., both U.S. and international exposure), you can lower your diversification risk because your investments are spread out among different types. If the market experiences a correction to one particular type of investment, the strength of the other investments in your portfolio can limit your losses. Diversification may help reduce your overall risk of reduced returns. Of course, investing internationally may increase other types of risk. International investments have special risk factors including the risk of fluctuations in the currency rates between the U.S. and other countries, potential political and economical instability and differing reporting and regulation standards than the U.S.
- A world of opportunities. Increasingly, new products are being developed in other countries and their growing populations are purchasing and consuming them. For example, the younger demographic in India means there is more demand for certain products this growing customer base needs and wants. If you're only investing in the U.S., you're missing out on this economic expansion.

Current Market Reasons to Invest Internationally

The current state of the economy, both in the U.S. and overseas, is fueling the argument for the timing of the shift from U.S. to international stock market outperformance. These current events include:

- While no one can predict the future, history has shown (as mentioned above) that sooner or later, international markets will outperform the U.S.
- 2015 year-to-date returns show the international markets already outpacing the U.S.
- Since 1970, non U.S. equities have outperformed U.S. equities in 50 percent of monthly observations. Of course past performance is not a predictor of future results.
- Many central banks around the world have begun quantitative easing (QE) programs, which have injected cash into their economies. This has typically forced investors to move from fixed income to equities, creating better corporate earnings and subsequently boosting foreign equity market returns.
- In a study of 48 developed and developing country markets, the U.S. did not rank in the top five at all over trailing 1-, 3-, 5- and 10-year periods.
- Many international equities appear currently undervalued in terms of their price-to-earnings ratios, especially in Europe. European stocks are trading far below average relative to their U.S. counterparts.
- When Europe is cheaper than the U.S., Europe tends to outperform and vice versa. Current levels are similar to 1999 when Europe outperformed the U.S. by a 5 percent annualized basis for the following 10 years.
- It is expected that the U.S. dollar will continue to strengthen and the euro will continue to weaken, making Eurozone products cheaper to purchase around the world, further increasing their earnings and fueling their economies.

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The Proper Portfolio Allocation

At Foresters Financial, we recommend that a typical moderate-risk client keep approximately 10-25 percent of their entire investment portfolio allocated to the international markets. While this is a suggested allocation, investors must be comfortable with their decisions based on their risk tolerance and other personal factors.

There are many benefits to investing overseas; however, there are also potential risks. These risks include changes in foreign exchange rates, currency fluctuations, and sudden changes in market value, as well as political and social events that could impact these countries' markets. Foreign countries may have different reporting and regulating standards than the

U.S. and there may be potential restrictions in the flow of capital. These risks are heightened for Emerging Market (EM) countries, which are more volatile than developed markets. All these factors must be taken into account before a decision is made to invest internationally.

Limit Risks With an International Mutual Fund

To limit the potential risk of not being well-diversified, Americans can invest in a global or international mutual fund, which is typically well diversified and managed by an experienced portfolio manager accustomed to these particular investments, their risks, and the economic events that could impact their performance.

Foresters Financial clients can take advantage of the international markets in three ways:

1. Global Fund—approximately half of the fund is invested in the U.S. and half internationally in developed stock markets and across all capitalization ranges.
2. International Fund—invests exclusively internationally with about 20-25 percent invested in consumer driven EM countries. It consists mostly of large cap companies and in well-known consumer names.
3. International Opportunities Bond Fund—for those investors looking for a fixed income component, this Fund's managers actively hedge against currencies, so if the dollar moves direction, they can adjust the fund's positions accordingly.

If you agree that these are compelling reasons to invest overseas, then you should consider adding or increasing your international investment exposure, so your portfolio is properly positioned for any shift in market performance. Of course, there can be no guarantee that such positioning will reduce or eliminate the potential for losses. Foresters Financial Representatives have extensive knowledge and expertise in all areas of investing and would be happy to help you properly allocate your portfolio.

Here are the principal risks of investing in the Global Fund: Market Risk, Foreign Securities Risk, Emerging Markets Risk, Liquidity Risk, Mid-Size and Small-Size Company Risk, Security Selection Risk, High Portfolio Turnover Risk.

Here are the principal risks of investing in the International Fund: Market Risk, Foreign Securities Risk, Emerging Markets Risk, Liquidity Risk, Mid-Size and Small-Size Company Risk, Limited Holdings Risk, Security Selection Risk.

Here are the principal risks of investing in the International Opportunities Bond Fund: Interest Rate Risk, Credit Risk, Market Risk, Foreign Securities Risk, Currency Risk, Supranational Risk, Emerging Markets Risk, Liquidity Risk, Non-Diversification Risk, Derivatives Risk, Valuation Risk, Security Selection Risk.

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 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.

*` FIMCO is the investment adviser to the First Investors family of funds and an affiliate of Foresters Financial Services, Inc.

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