

**Item 1 – Cover Page**

Foresters Investment Management Company, Inc.

40 Wall Street, New York NY 10005

(212) 858-8000

[www.forestersfinancial.com](http://www.forestersfinancial.com)

September 21, 2015

This Brochure provides information about the qualifications and business practices of Foresters Investment Management Company, Inc. (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (212) 858-8000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Foresters Investment Management Company, Inc., formerly First Investors Management Company, Inc., is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Foresters Investment Management Company, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The following material changes have occurred since the previous annual update of our Brochure, which was dated March 30, 2015:

- The Cover Page reflects the new name of the Adviser; and
- Item 10 reflects the new names of the Adviser's affiliates.

### **Item 3 - Table of Contents**

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 – Disciplinary Information .....	77
Item 10 – Other Financial Industry Activities and Affiliations .....	78
Item 11 – Code of Ethics.....	80
Item 12 – Brokerage Practices .....	83
Item 13 – Review of Accounts .....	87
Item 14 – Client Referrals and Other Compensation .....	88
Item 15 – Custody .....	90
Item 16 – Investment Discretion.....	91
Item 17 – Voting Client Securities .....	93
Item 18 – Financial Information .....	95

#### **Item 4 – Advisory Business**

Foresters Investment Management Company, Inc. (the “Adviser”) provides portfolio management services primarily to registered investment companies, as described more fully in Item 7 of this Brochure. The Adviser is a wholly owned subsidiary of Foresters Financial Holding Company, Inc. (“FFHC”), and has been in business since 1971. FFHC is a wholly owned subsidiary of the Independent Order of Foresters, a Canadian fraternal benefit society with operations in Canada, the United States and the United Kingdom.

The Adviser manages each of its client’s accounts on a discretionary basis within guidelines established by the client and applicable regulations, as further discussed in Item 16 of this Brochure. As of December 31, 2014 the Adviser had assets under management as follows:

Registered investment companies	\$10,463,809,607
Proprietary Accounts (as described in Item 5)	<u>\$531,339,130</u>
Total	\$10,995,148,737

## **Item 5 – Fees and Compensation**

Foresters Investment Management Company, Inc. (the “Adviser”) provides investment advisory services to each Fund pursuant to an Investment Advisory Agreement (“Advisory Agreement”). Under the Advisory Agreement, each Fund is obligated to pay the Adviser an annual fee, payable monthly in arrears. This fee generally ranges from ½ of 1% to 1% annually.

Each Fund bears all expenses of its operations other than those assumed by the Adviser or its Underwriter under the terms of its Advisory or Underwriting Agreements. Fund expenses include, but are not limited to: the advisory fee; Rule 12b-1 fees; shareholder servicing fees and expenses; custodian fees and expenses; legal and auditing fees; registration fees and expenses; expenses of communicating to existing shareholders, including preparing, printing and mailing prospectuses and shareholder reports to such shareholders; proxy and shareholder meeting expenses; and expenses of underlying funds held in a fund of funds.

The Adviser receives no advisory fees for its management of the Profit Sharing Plan of Foresters Financial Services, Inc., the General Account of Foresters Life Insurance and Annuity Company and its own investment portfolio (collectively, the “Proprietary Accounts”). However, the Adviser may be reimbursed for investment-related expenses, including a portion of its general administrative expenses and salaries, incurred in managing the Proprietary Accounts.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Foresters Investment Management Company, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Foresters Investment Management Company, Inc. (the “Adviser”) acts as investment adviser primarily to the First Investors Family of Funds. The First Investors Family of Funds consists of four trusts, which collectively contain 43 registered investment companies, or “Funds”. The Adviser also acts as investment adviser to the Proprietary Accounts described in Item 5 of this Brochure.

The Adviser has no advisory clients other than the Funds and the Proprietary Accounts. If other advisory clients were acquired, it is anticipated that the accounts would be required to be a minimum size, normally at least \$10,000,000.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Foresters Investment Management Company, Inc. (the “Adviser”) is the investment adviser for certain registered investment companies, or funds. The Adviser manages each fund in accordance with the fund’s objective and principal investment strategies. The principal investment strategies and principal risks for each fund are described below. The funds’ objectives, principal investment strategies and principal risks, and other information about the funds, are set out in more detail in each fund’s most recent prospectus and statement of additional information. The funds may only be offered and sold by means of a prospectus; this document is not a prospectus. For the funds listed below that are noted as subadvised, the Adviser oversees a subadviser who manages the fund pursuant to the fund’s objective and principal investment strategies.

Investing in securities involves risk of loss that clients should be prepared to bear.

### **First Investors Income Funds:**

Cash Management Fund – The fund invests primarily in high-quality money market instruments that are determined by the Adviser to present minimal credit risk, including but not limited to commercial paper, short-term corporate bonds and notes, floating and variable rate notes, U.S. Treasury securities and short-term obligations of U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government). The fund’s portfolio is managed to meet regulatory requirements that permit the fund to maintain a stable net asset value (“NAV”) of \$1.00 per share. These include requirements relating to the credit quality, maturity, liquidity and diversification of the fund’s investments. In buying and selling securities, the fund will consider its own credit analysis as well as ratings assigned by ratings services. An investor could lose money by investing in the fund. Although the fund seeks to preserve the value of an investor’s investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund’s sponsor has no legal obligation to provide financial support to the fund, and an investor should not expect that the sponsor will provide support to the fund at any time.



*Credit Risk.* There is a risk that the value of a money market instrument will decline if there is a default by or a deterioration in the credit quality of the issuer or a provider of a credit enhancement or demand feature. This could cause the fund's NAV to decline below \$1.00 per share. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Interest Rate Risk.* Like the values of other debt instruments, the market values of money market instruments are affected by changes in interest rates. When interest rates rise, the market values of money market instruments generally decline. This could cause the fund's NAV to decline below \$1.00 per share. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates.

*Liquidity Risk.* The fund may be unable to sell a security at a time or price most favorable to the fund, which could have the effect of decreasing the overall level of the fund's liquidity. Market developments may cause the fund's investments to become less liquid and subject to erratic price movements, which may have an adverse effect on the fund's ability to maintain a \$1.00 share price.

*Regulatory Risk.* The SEC recently adopted amendments to the money market fund rules. The amendments may require changes to the fund's operations and may negatively affect the fund's yield and return potential.

*Yield Risk.* The yields received by the fund on its investments will generally decline as interest rates decline.

*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. Although the fund seeks to preserve the value of an investor's investment at \$1.00 per share, it is possible to lose money by investing in the fund.*

Limited Duration High Quality Bond Fund – Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in investment grade bonds. For purposes of the 80% test, investment grade bonds also include other investment grade fixed-income securities. The fund defines investment grade debt securities as those that are rated within the four highest ratings categories by Moody's Investors Service, Inc. ("Moody's") or

Standard & Poor's Rating Services ("S&P") or that are unrated but determined by the Adviser to be of quality equivalent to those within the four highest ratings categories of Moody's or S&P. The fund may invest in a variety of different types of investment grade securities, including corporate bonds, securities issued or guaranteed by the U.S. Government or U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government), mortgage-backed and other asset-backed securities. The fund may invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The fund seeks to maintain an average weighted duration of between two and six years. Duration is a measurement of a bond's sensitivity to changes in interest rates. For every 1% change in interest rates, a bond's price generally changes approximately 1% in the opposite direction for each year of duration. For example, if a portfolio of fixed income securities has an average weighted duration of three years, its value can be expected to fall about 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise approximately 3% if interest rates fall by 1%. As a result, prices of securities with longer durations tend to be more sensitive to interest rate changes than prices of securities with shorter durations. By comparison, a debt security's "maturity" is the date on which the security matures and the issuer is obligated to repay principal. Duration is typically not equal to maturity. In making investment decisions, the Adviser considers the outlook for interest rates, economic forecasts and market conditions, credit ratings, and its own analysis of an issuer's financial condition. The fund will not necessarily sell an investment if its rating is reduced and it may hold securities that have been downgraded below investment grade (commonly known as "high yield" or "junk" bonds). An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed and asset-backed securities, the credit quality of the underlying loans. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for

greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind, or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Market Risk.* The prices of, and the income generated by, the debt securities held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed and other asset-backed securities. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the fund's sensitivity to interest rates and its potential for price declines.

*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.*

Government Fund – Under normal circumstances, the fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in securities issued or guaranteed as to payment of principal and interest by the U.S. Government, its agencies or instrumentalities ("U.S. Government Securities"). The fund invests in

all types of U.S. Government Securities, which may include (a) U.S. Treasury obligations, (b) securities that are issued or guaranteed by U.S. Government agencies or instrumentalities that are backed by the full faith and credit of the U.S. Government, such as mortgage-backed securities that are guaranteed by the Government National Mortgage Association ("GNMA"), and (c) securities that are issued or guaranteed by agencies or instrumentalities that are sponsored by Congress but whose securities are not guaranteed by the U.S. Government and are backed solely by the credit of the issuing agency or instrumentality and the right to borrow from the U.S. Treasury, such as mortgage-backed securities issued by the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"). The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The Adviser uses a "top down" approach in making investment decisions based on its assessment of interest rates, economic and market conditions, and the relative values of different types of U.S. Government securities. In selecting investments, the Adviser considers, among other factors, maturity, yield, relative value and, in the case of mortgage-backed securities, coupon and weighted average maturity. The fund will usually sell an investment when there are changes in the interest rate environment that are adverse to the investment. An investor can lose money by investing in the fund. While the fund invests in obligations that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities, an investment in the fund is not insured or guaranteed by the U.S. Government. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds will be unable to pay interest or principal when due. The prices of bonds are affected by the credit quality of the issuer and, in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises (such as Fannie Mae and Freddie Mac mortgage-backed securities) that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*High Portfolio Turnover Risk.* High portfolio turnover could increase the fund's transaction costs and produce taxable distributions to shareholders and possibly have a negative impact on its performance.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Market Risk.* The prices of, and the income generated by, the debt securities held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities. When interest rates decline, borrowers tend to refinance their mortgages. When this occurs, the mortgages that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, borrowers tend to repay their mortgages less quickly, which will generally increase the fund's sensitivity to interest rates and its potential for price declines.

*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.*

Investment Grade Fund - Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in investment grade debt securities. The fund defines investment grade debt securities as those that are rated within the four highest ratings categories by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P") or that are

unrated but determined by the fund's Adviser to be of quality equivalent to those within the four highest ratings of Moody's or S&P. The fund may invest in a variety of different types of investment grade securities, including corporate bonds, securities issued or guaranteed by the U.S. Government or U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government), and mortgage-backed and other asset-backed securities. The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. In making investment decisions, the Adviser considers the outlook for interest rates, economic forecasts and market conditions, credit ratings, and its own analysis of an issuer's financial condition. The fund will not necessarily sell an investment if its rating is reduced and it may hold securities that have been downgraded below investment grade (commonly known as "high yield" or "junk" bonds). An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed and asset-backed securities, the credit quality of the underlying loans. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Liquidity Risk.* High yield debt securities tend to be less liquid than higher quality debt securities, meaning that it may be difficult to sell high yield debt securities at reasonable prices.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed and other asset-backed securities. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, borrowers tend to repay their loans less quickly, which will generally increase the fund's sensitivity to interest rates and its potential for price declines.

*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.*

Strategic Income Fund – The fund is a “fund of funds” and seeks to achieve its investment objective by investing primarily in a combination of underlying funds that currently exist or may become available for investment in the future for which the Adviser acts as the investment adviser (“Underlying Funds”). The fund may invest in unaffiliated funds, which are also considered to be Underlying Funds. The fund has a flexible investment strategy. The fund will have exposure to a variety of fixed income securities, floating rate securities, municipal securities, equity securities, and other instruments by investing through a combination of the Underlying Funds. The income-related Underlying Funds are currently composed of the First Investors Cash Management Fund, First Investors Limited Duration High Quality Bond Fund, First Investors Government Fund, First Investors Investment Grade Fund, First Investors Fund For Income, First Investors Floating Rate Fund, First Investors International Opportunities Bond Fund, First Investors Tax Exempt Income Fund and First Investors Tax Exempt Opportunities Fund (“Underlying Income Funds”). The Underlying Income Funds may invest in fixed income securities of any maturity, including U.S. Government securities, U.S. Government-sponsored enterprise securities, investment grade corporate bonds, municipal securities, mortgage-backed securities, asset-backed securities, below investment grade debt securities (commonly known as “high yield debt securities” or “junk



bonds”), high yield secured floating rate loans and/or bonds, sovereign debt and currencies of developed and emerging market countries located outside of the United States, futures, options, forward foreign currency contracts, inverse floaters and/or interest rate swaps. The First Investors Tax Exempt Income Fund and First Investors Tax Exempt Opportunities Fund primarily invest in municipal securities that pay interest that is exempt from federal income tax and is not a tax preference item for purposes of the federal alternative minimum tax (“AMT”). An Underlying Fund may, at times, engage in short-term trading. The equity-related Underlying Fund, which is currently the First Investors Equity Income Fund (“Underlying Equity Fund”), primarily invests in dividend-paying stocks of any size company.

The fund will primarily invest in the Underlying Income Funds. While the percentage of allocation to each Underlying Fund is flexible, under normal conditions, the fund will invest approximately 95% (within a range of 85%-100%) of its net assets in the Underlying Income Funds and approximately 5% (within a range of 0%-15%) of its net assets in the Underlying Equity Fund. The fund anticipates that it will invest a significant portion of its net assets in the First Investors Limited Duration High Quality Bond Fund, First Investors Investment Grade Fund, First Investors Fund For Income, First Investors Floating Rate Fund and First Investors International Opportunities Bond Fund and, to a lesser degree, in the First Investors Cash Management Fund, First Investors Government Fund, First Investors Tax Exempt Income Fund, First Investors Tax Exempt Opportunities Fund, and First Investors Equity Income Fund. Based on this allocation, the fund, under normal conditions, will have significant exposure to the Underlying Funds’ investments in below investment grade debt securities and debt securities of foreign issuers.

The fund will invest in particular Underlying Funds based on various criteria. Among other things, the Adviser will analyze the Underlying Funds’ respective investment objectives, policies and investment strategies in order to determine which Underlying Funds, in combination with other Underlying Funds, are appropriate in light of the fund’s investment objective. The Adviser will adjust the allocation based upon the relative value of the primary asset classes and sectors in which the Underlying Funds invest, as well as the macroeconomic outlook. While the fund can invest in any or all of the Underlying Funds, the fund may not be invested in any one of the Underlying Funds at any particular time. In addition to investments in the Underlying Funds, the fund may also invest directly in the types of securities that are eligible investments for the First Investors Cash Management Fund, including but not limited to commercial paper, short-term corporate bonds and notes, floating and variable rate notes, U.S. Treasury securities and short-term



obligations of U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government). The particular Underlying Funds in which the fund may invest, the particular ranges and investments in the Underlying Funds may change from time to time without shareholder approval or notice. The fund may invest in additional Underlying Funds that are not specifically described in the fund's prospectus from time to time in the future so long as the fund's investments in any additional Underlying Fund, at the time of such investment, do not exceed 5% of the fund's total assets. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective. The fund should not be relied upon as a complete investment program. Stated allocations may be subject to change.

*Affiliated Persons.* The Adviser has the authority to select and substitute Underlying Funds. The Adviser and Foresters Financial Services, Inc. ("FFS") are compensated by the fund and by the Underlying Funds for advisory and/or principal underwriting services provided. The Adviser is subject to conflicts of interest in allocating fund assets among the various Underlying Funds both because the fees payable to it by the Underlying Funds differ and because the Adviser is also responsible for managing the Underlying Funds. The portfolio manager may also be subject to conflicts of interest in allocating fund assets among the various Underlying Funds because the fund's portfolio manager may manage some of the Underlying Funds and may also receive compensation for managing those Underlying Funds. The Trustees and officers of the Underlying Funds may also have conflicting interests in fulfilling their fiduciary duties to both the fund and the Underlying Funds for which the Adviser and FFS serve as investment adviser and principal underwriter, respectively.

*Allocation Risk.* The fund's ability to achieve its investment objective depends upon the portfolio manager's skill in determining the fund's asset allocation mix and selecting the Underlying Funds. There is a possibility that the portfolio manager's selection of Underlying Funds and allocation of the fund's assets among the Underlying Funds may cause the fund to perform differently than the overall market and may not meet the portfolio manager's expectations.

*Direct Investments.* Since the fund may invest directly in the types of securities that are eligible investments for the Cash Management Fund, these types of securities may be subject to Credit Risk, Interest Rate Risk, Liquidity Risk and Yield Risk. See the "Principal Risks of the Underlying Funds" below.

*Expenses.* By investing in the Underlying Funds indirectly through the fund, shareholders will incur not only a proportionate share of the expenses of the

Underlying Funds held by the fund (including operating costs and investment management fees), but also expenses of the fund.

*Investing in the Underlying Funds.* The investments of the fund are concentrated in the Underlying Funds, and the fund's investment performance is directly related to the investment performance of the Underlying Funds it holds. The ability of the fund to meet its investment objective is directly related to the ability of the Underlying Funds to meet their objectives as well as the allocation among those Underlying Funds by the Adviser.

*Investments of the Underlying Funds.* Because the fund invests in the Underlying Funds, the fund's shareholders will be affected by the investment policies and practices of the Underlying Funds in direct proportion to the amount of the assets the fund allocates to those Underlying Funds. See "Principal Risks of the Underlying Funds" below.

*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.*

*Principal Risks of the Underlying Funds.* The target and asset allocation percentages, the selection of Underlying Funds and the investments in the Underlying Funds are subject to change. Such changes may cause the fund to be subject to additional or different risks than the risks listed below. Here are the principal risks of investing in the Underlying Funds:

*Borrowing Risk.* This is the risk that an Underlying Fund may borrow from banks by obtaining a line of credit to meet certain redemptions. If an Underlying Fund is not able to extend its credit arrangement, it may be required to liquidate holdings at unfavorable prices. Borrowings involve additional expense to an Underlying Fund.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed and asset-backed securities, the credit quality of the underlying loans. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises (such as Federal National Mortgage Association and Federal Home Loan Mortgage Association mortgage-backed securities) that are not backed by the full faith and credit of

the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation. In the case of municipal securities, a municipal issuer's ability to pay interest and principal on its debt obligations may be adversely affected by a variety of factors, such as economic, political, regulatory or legal developments; a downgrade in an issuer's credit rating; or other adverse news about the issuer.

*Currency Risk.* The value of investments in securities denominated in foreign currencies increases or decreases as the rates of exchange between those currencies and the U.S. dollar change. Currency exchange rates can be volatile, and are affected by factors such as general economic conditions, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls and other political or regulatory conditions in the U.S. or abroad.

*Derivatives Risk.* Investments in derivatives, such as inverse floaters, interest rate swaps, futures contracts and options on futures contracts, involve a number of risks, such as possible default by the counterparty to the transaction, incorrect judgment by the portfolio manager as to certain market or interest rate movements and the potential of greater losses than if these techniques had not been used by an Underlying Fund. They may also limit any potential gain that might result from an increase in the value of a hedged position. These investments can also increase the volatility of an Underlying Fund's share price and expose an Underlying Fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Dividend Risk.* At times, an Underlying Fund may not be able to identify dividend-paying stocks that are attractive investments. The income received by an Underlying Fund will also fluctuate due to the amount of dividends that companies elect to pay. An Underlying Fund may not have sufficient income to pay its shareholders regular dividends.

*Emerging Markets Risk.* The risks of an Underlying Fund that invests in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of returns than the developed markets and substantially greater risk to investors.

*Floating Rate Loan Risk.* To the extent an Underlying Fund invests in floating rate loans, the value of any collateral securing a floating rate loan may decline, be insufficient to meet the obligations of the borrower, or be difficult or costly to liquidate. In the event of a default, an Underlying Fund may have difficulty collecting on any collateral and a floating rate loan can decline significantly in value. An Underlying Fund's access to collateral may also be limited by bankruptcy or other insolvency laws. If a floating rate loan is acquired through an assignment, an Underlying Fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. In addition, high yield floating rate loans usually are more credit sensitive than interest rate sensitive, although the value of these instruments may be affected by interest rate swings in the overall fixed income market.

*Foreign Loan Risk.* This is the risk that a loan and/or bond issued by a foreign corporation or its subsidiary may be subject to risks associated with certain regulatory, economic and political conditions of the issuer's foreign country and, in the event of default, it may be difficult for an Underlying Fund to pursue its rights against the issuer in that country's courts.

*Foreign Securities Risk.* There are special risk factors associated with investing in foreign securities, including the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies, potential political and economic instability, differing accounting and financial reporting standards or inability to obtain reliable financial information regarding a company's financial condition, less stringent regulation and supervision of foreign securities markets, custodians and securities depositories, and potential restrictions in the flow of capital. Some securities issued by foreign governments or their subdivisions, agencies and instrumentalities may not be backed by the full faith and credit of the foreign government and some foreign governments may default on principal and interest payments. To the extent an Underlying Fund invests a significant portion of its assets in securities of a single country or region, it is more likely to be affected by events or conditions of that country or region. As a result, it may be more volatile than a more geographically diversified fund.

*High Portfolio Turnover Risk.* High portfolio turnover could increase an Underlying Fund's transaction costs and produce taxable distributions to shareholders, including the fund, and possibly have a negative impact on its, and thus the fund's performance.

*High Yield Securities Risk.* This is the risk that high yield bonds and other types of high yield debt securities (commonly known as “junk bonds”), including floating rate loans, have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield debt securities are considered to be inherently speculative due to the risk associated with the issuer’s continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.

*Interest Rate Risk.* In general, when interest rates rise, the market value of debt and municipal securities declines, and when interest rates decline, the market value of debt and municipal securities increases. As of the date of this brochure, interest rates are at or near historic lows which may increase an Underlying Fund’s exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes. An Underlying Fund that typically purchases securities with longer maturities will have a higher degree of interest rate risk. The yield of an Underlying Fund may decline if interest rates decline. Floating rate loans and bonds generally are less sensitive than fixed-rate instruments to interest rate changes, but they could remain sensitive over the short-term to interest rate changes. The interest rates on senior loans adjust periodically and may not correlate to prevailing interest rates during the periods between rate adjustments.

*Liquidity Risk.* An Underlying Fund is susceptible to the risk that certain securities may be difficult or impossible to sell at a time or price most favorable to the Underlying Fund. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets. High yield debt securities also tend to be less liquid than higher quality debt securities. In the case of assignments of syndicated bank loans, such loans may be less liquid at times because of potential delays in the settlement process or restrictions on resale. In the case of floating rate loans, such loans may be less liquid at times since they are generally subject to legal or contractual restrictions on resale and may trade infrequently. During times of market stress, it may be difficult to sell municipal securities at reasonable prices.

*Market Risk.* The market prices of an Underlying Fund's securities may decline over short or even extended periods due to general market conditions, company-specific developments, an economic downturn, adverse political or regulatory developments, a change in interest rates or a change in investor sentiment. This risk also applies to the high yield bond market which can experience sharp price swings due to a variety of factors, including stock market volatility, large sustained sales of high yield bonds by major investors, high-profile defaults or the market's psychology. In the case of dividend-paying stocks, while such stocks are generally considered less volatile than other stocks, there can be no guarantee that an Underlying Fund's overall portfolio will be less volatile than the general stock market. Adverse market events may lead to increased redemptions, which could cause an Underlying Fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*Money Market Risk.* This is the risk that investments in money market instruments may decline, which could cause the net asset value of an Underlying Fund which is a money market fund to decline below \$1.00 per share.

*Municipal Securities Risk.* To the extent an Underlying Fund invests in municipal securities, its return will be impacted by events that affect the municipal securities markets, including legislative, political, or judicial developments that are perceived to have a negative effect on municipal securities and economic conditions that threaten the ability of municipalities to raise taxes or obtain the other sources of revenue that back their securities.

*Non-Diversification Risk.* An Underlying Fund that is considered non-diversified may have its assets invested in a limited number of issuers. This means that the Underlying Fund's performance may be substantially impacted by the change in value of even a single holding. The price of a share of the

Underlying Fund can therefore be expected to fluctuate more than the price of a share of a diversified fund.

*Prepayment and Extension Risk.* To the extent an Underlying Fund invests in mortgage-backed and other asset-backed securities, it is subject to prepayment and extension risk. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the Underlying Fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, borrowers tend to repay their loans less quickly, which generally will increase both the Underlying Fund's sensitivity to interest rates and its potential for price declines.

*Regulatory Risk.* The SEC recently adopted amendments to the money market fund rules. The amendments may require changes to an Underlying Fund that is a money market fund and may negatively affect the Underlying Fund's yield and return potential.

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

*Senior Loan Risk.* To the extent an Underlying Fund invests in senior loans, senior loan prices may be adversely affected by supply and demand imbalances caused by conditions in the senior loan market or related markets. Although senior floating rate loans may be senior to equity and debt securities in the borrower's capital structure, the loans may be subordinated to other obligations of the borrower or its subsidiaries.

*Sovereign and Quasi-Sovereign Debt Securities Risk.* The issuer of the sovereign debt or the authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and an Underlying Fund may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt, and an Underlying Fund's net asset value, may be volatile.

*Supranational Risk.* Obligations of supranational organizations are subject to the risk that the governments on whose support the entity depends for its financial backing or repayment may be unable or unwilling to provide that



support. Obligations of a supranational organization that are denominated in foreign currencies will also be subject to the risks associated with investment in foreign currencies.

*Tax Risk.* An Underlying Fund may invest in municipal securities that pay interest that is subject to income tax or that is a tax preference item for purposes of the AMT or effect transactions that produce taxable capital gains. Interest income on municipal securities held by an Underlying Fund may also become subject to income tax due to an adverse change in the law or other events.

*Undervalued Securities Risk.* An Underlying Fund may seek 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.

*Valuation Risk.* The sales price an Underlying Fund could receive for any particular portfolio investment may differ from the Underlying Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology. Investors who purchase or redeem Underlying Fund shares on days when the Underlying Fund is holding fair valued securities may receive fewer shares or lower redemption proceeds than they would have received if the Underlying Fund had not fair valued the security or had used a different valuation methodology.

*Yield Risk.* The yields received by an Underlying Fund on its investments will generally decline as interest rates decline.

International Opportunities Bond Fund (subadvised) - Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in bonds. For purposes of the 80% test, bonds include debt securities issued or guaranteed by national governments, their agencies or instrumentalities and political sub-divisions (including inflation index linked securities); debt securities of supranational organizations such as freely transferable promissory notes, bonds and debentures; corporate debt securities, including freely transferable promissory notes, debentures, zero coupon bonds, commercial paper, certificates of deposits, and bankers' acceptances issued by



industrial, utility, finance, commercial banking or bank holding company organizations; emerging markets debt; and below investment grade securities, also known as high yield debt or “junk bonds”. The fund will normally invest its assets in debt and fixed income securities of issuers located in developed countries outside of the United States. The fund will primarily invest in sovereign debt and currencies, as well as in investment grade corporate bonds. Any country that, at the time a security is purchased, has a sovereign debt rating of A- or better from at least one nationally recognized statistical ratings organization (“NRSRO”) or is included in the Citigroup World Government Bond Index will be considered a developed country. An issuer is considered by the subadviser to be located in a developed country if such issuer meets certain criteria of the subadviser. To a lesser extent, the fund may also invest in emerging markets. The fund may invest in both investment grade and, to a lesser extent, below investment grade securities. Investment grade securities are securities rated at the time of purchase by a NRSRO within one of the top four categories, or, if unrated, judged by the subadviser to be of comparable credit quality. The fund may invest in forward foreign currency contracts in order to hedge its currency exposure in bond positions or to gain currency exposure. The fund may also invest in interest rate and bond futures to manage interest rate risk and for hedging purposes. These investments may be significant at times. Although the fund has the flexibility to make use of forward foreign currency contracts it may choose not to for a variety of reasons, even under very volatile market conditions. The fund will normally hold a portfolio of debt securities of issuers located in a minimum of six countries. The fund intends to maintain a weighted average portfolio quality of A- or better, whether composed of rated securities or unrated securities deemed by the subadviser to be of comparable quality. The weighted average duration of the fund’s portfolio is expected to range from 1 to 10 years, but for individual markets may be greater or lesser depending on the subadviser’s outlook for interest rates and the potential for capital gains. The subadviser follows a top-down value-driven process to investing and therefore seeks to identify relative value in the international bond markets. The subadviser defines as undervalued those markets where it believes real interest rates are high and the currency is undervalued with potential to appreciate. The subadviser will concentrate investments in those undervalued markets where it believes cyclical business conditions, as well as secular economic and political trends, provide the best opportunity for declining interest rates and a return to lower real rates over time. The subadviser believes that such economic conditions provide the best potential to achieve capital appreciation. The fund is non-diversified. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer.

*Currency Risk.* The value of investments in securities denominated in foreign currencies increases or decreases as the rates of exchange between those currencies and the U.S. dollar change. Currency exchange rates can be volatile, and are affected by factors such as general economic conditions, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls and other political or regulatory conditions in the U.S. or abroad.

*Derivatives Risk.* Forward foreign currency contracts and futures involve a number of risks, such as possible default by the counterparty to the transaction, incorrect judgment by the portfolio manager as to certain market movements and the potential of greater losses than if these techniques had not been used by the fund. They may also limit any potential gain that might result from an increase in the value of a hedged position. These investments can also increase the volatility of the fund's share price and expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Emerging Markets Risk.* The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of returns than the developed markets and substantially greater risk to investors.

*Foreign Securities Risk.* There are special risk factors associated with investing in foreign securities, including the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies, potential political and economic instability, differing accounting and financial reporting standards or inability to obtain reliable financial information regarding a company's financial condition, less stringent regulation and supervision of foreign securities markets, custodians and securities depositories, and potential restrictions in the flow of capital. Some securities issued by foreign governments or their subdivisions, agencies and instrumentalities may not be backed by the full faith and credit of the foreign government and some foreign governments may default on principal and interest payments. To the extent the fund invests a significant portion of its assets in securities of a single country or region, it is more likely to be affected by events or conditions of that country or region. As a result, it may be more volatile than a more geographically diversified fund.

*High Yield Securities Risk.* High yield bonds and other types of high yield debt securities have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield securities, commonly referred to as junk bonds, are considered to be inherently speculative due to the risk associated with the issuer's continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Liquidity Risk.* The fund is susceptible to the risk that certain securities may be difficult or impossible to sell at a time or price most favorable to the fund. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets. High yield debt securities also tend to be less liquid than higher quality debt securities.

*Market Risk.* The market prices of the fund's securities may decline over short or even extended periods due to general market conditions, an economic downturn, adverse political or regulatory developments, a change in interest rates or a change in investor sentiment. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Non-Diversification Risk.* The fund is non-diversified and, as such, its assets may be invested in a limited number of issuers. This means that the fund's performance may be substantially impacted by the change in value of even a single holding. The price of a share of the fund can therefore be expected to fluctuate more than a diversified fund.

*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.

*Sovereign and Quasi-Sovereign Debt Securities Risk.* The issuer of the sovereign debt or the authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the fund may have limited recourse in the event of a default. During periods of economic uncertainty, the market prices of sovereign debt, and the fund's net asset value, may be volatile.

*Supranational Risk.* Obligations of supranational organizations are subject to the risk that the governments on whose support the entity depends for its financial backing or repayment may be unable or unwilling to provide that support. Obligations of a supranational organization that are denominated in foreign currencies will also be subject to the risks associated with investment in foreign currencies.

*Valuation Risk.* The sales price the fund could receive for any particular portfolio investment may differ from the fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair value methodology. Investors who purchase or redeem fund shares on days when the fund is holding fair valued securities may receive fewer shares or lower redemption proceeds than they would have received if the fund had not fair valued the security or had used a different valuation methodology.

*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.*

Floating Rate Fund (subadvised) – Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in floating rate loans and/or bonds. Floating rate loans represent amounts borrowed by companies or other entities from banks and other lenders, which have interest rates that reset periodically (annually or more frequently), generally based on a common interest rate index or another base rate. In many cases, they are issued in connection with recapitalizations, acquisitions, leveraged buyouts and refinancings. The fund will normally invest the majority of its assets in U.S. dollar denominated senior secured floating rate loans and/or bonds. A senior floating rate loan typically has priority with respect to payment (to the extent assets are available) in the event of bankruptcy. The fund generally will acquire floating rate loans as assignments from lenders. The fund may invest in floating rate loans and/or bonds of any maturity or credit quality, but typically will invest in short

duration, below investment grade floating rate loans and/or bonds (commonly referred to as "high-yield" or "junk" bonds) that the subadviser believes have attractive risk/reward characteristics and which are issued by U.S. corporations and/or foreign corporations in U.S. dollars. The subadviser generally attempts to reduce the impact on the fund from changing interest rates by investing in securities with shorter durations. Duration is a measurement of a loan's or bond's sensitivity to changes in interest rates. In general, the longer the duration of loans and/or bonds, the greater the likelihood that an increase in interest rates would cause a decline in the price of the fund's shares. The subadviser believes that the fund's short duration approach potentially reduces the risk to the portfolio if interest rates should rise. The fund generally invests in below investment grade securities that are rated from BB+ to B- by Standard & Poor's Ratings Services, Ba1 through B3 by Moody's Investors Service, Inc., or which are deemed to be of equivalent credit quality by the subadviser. The fund will primarily invest in high yield floating rate loans and/or bonds, and may invest, to a lesser degree, in fixed-rate bonds. Although the subadviser will consider ratings assigned by ratings agencies in selecting floating rate loans and/or bonds, it relies principally on its own research and investment analysis. The subadviser selects a loan and/or bond based on a rigorous bottom-up evaluation of each company and each loan or security in the fund's portfolio. The subadviser considers both company-specific quantitative and qualitative factors including: a company's managerial strength and commitment to debt repayment; anticipated cash flow; debt maturity schedules; borrowing requirements; use of borrowing proceeds; asset coverage; earnings prospects; impacting legislation, regulation, or litigation; and the strength and depth of the protections afforded the lender through the documentation governing the bank loan or bond issuance. The fund may sell a holding when it meets the portfolio manager's expectations, no longer offers compelling relative value, shows deteriorating fundamentals, or if it falls short of the portfolio manager's expectations. The portfolio manager may also decide to continue to hold a loan or bond (or related securities) after a default. The fund may borrow from banks, on a secured or unsecured basis and at fixed or variable rates of interest in order to maintain the liquidity necessary to meet redemptions. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

***Borrowing Risk.*** The fund may borrow from banks by obtaining a line of credit to meet certain redemptions. If the fund is not able to extend its credit arrangement, it may be required to liquidate holdings at unfavorable prices. Borrowings involve additional expense to the fund.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities, including loans, will be unable to pay interest or principal when due.

*Floating Rate Loan Risk.* The value of any collateral securing a floating rate loan may decline, be insufficient to meet the obligations of the borrower, or be difficult or costly to liquidate. In the event of a default, the fund may have difficulty collecting on any collateral and a floating rate loan can decline significantly in value. The fund's access to collateral may also be limited by bankruptcy or other insolvency laws. If a floating rate loan is acquired through an assignment, the fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. In addition, high yield floating rate loans usually are more credit sensitive than interest rate sensitive, although the value of these instruments may be affected by interest rate swings in the overall fixed income market.

*Foreign Loan Risk.* A loan and/or bond issued by a foreign corporation or its subsidiary may be subject to risks associated with certain regulatory, economic and political conditions of the issuer's foreign country and, in event of default, it may be difficult for the fund to pursue its rights against the issuer in that country's courts.

*High Yield Securities Risk.* High yield bonds and other types of high yield debt securities, including floating rate loans, have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield securities, commonly referred to as junk bonds, are considered to be inherently speculative due to the risk associated with the issuer's continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Floating rate loans and bonds generally are less sensitive than fixed-rate instruments to interest rate changes, but they could remain sensitive over the short-term to interest rate changes. The interest rates on senior loans

adjust periodically and may not correlate to prevailing interest rates during the periods between rate adjustments.

*Liquidity Risk.* Floating rate loans generally are subject to legal or contractual restrictions on resale and may trade infrequently. High yield debt securities and floating rate loans tend to be less liquid than higher quality debt securities. It may be difficult to sell high yield debt securities and floating rate loans at a reasonable price or at a particular time. Assignments of bank loans and bonds also may be less liquid at times, because of potential delays in the settlement process or restrictions on resale.

*Market Risk.* The floating rate loan, high yield loan and bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market volatility, large sustained sales of high yield bonds by major investors, high-profile defaults or the market's psychology. This degree of volatility in the high yield market is usually associated more with stocks than bonds. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.

*Senior Loan Risk.* Senior loan prices may be adversely affected by supply and demand imbalances caused by conditions in the senior loan market or related markets. Although senior floating rate loans may be senior to equity and debt securities in the borrower's capital structure, the loans may be subordinated to other obligations of the borrower or its subsidiaries.

*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.*

Fund For Income (subadvised) – The fund primarily invests in high yield, below investment grade corporate bonds (commonly known as “high yield” or “junk bonds”). High yield bonds include both bonds that are rated below Baa by Moody's Investors Service, Inc. or below BBB by Standard & Poor's Ratings Services as well



as unrated bonds that are determined by the subadviser to be of equivalent quality. High yield bonds generally provide higher income than investment grade bonds to compensate investors for their higher risk of default (i.e., failure to make required interest or principal payments). The fund may also invest in other high yield debt securities, such as assignments of syndicated bank loans (also known as, "floating rate loans"). Although the subadviser will consider ratings assigned by ratings agencies in selecting high yield bonds, it relies principally on its own research and investment analysis. The fund may sell a bond when it shows deteriorating fundamentals or it falls short of the portfolio manager's expectations. It may also decide to continue to hold a bond (or related securities) after its issuer defaults or is subject to a bankruptcy. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities, including syndicated bank loans, will be unable to pay interest or principal when due. The price of bonds and other debt securities are affected by the credit quality of the issuer.

*Floating Rate Loan Risk.* The value of any collateral securing a floating rate loan may decline, be insufficient to meet the obligations of the borrower, or be difficult or costly to liquidate. In the event of a default, the fund may have difficulty collecting on any collateral and a floating rate loan can decline significantly in value. The fund's access to collateral may also be limited by bankruptcy or other insolvency laws. If a floating rate loan is acquired through an assignment, the fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. In addition, high yield floating rate loans usually are more credit sensitive than interest rate sensitive, although the value of these instruments may be affected by interest rate swings in the overall fixed income market.

*High Yield Securities Risk.* High yield bonds and other types of high yield debt securities, including syndicated bank loans, have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield securities, commonly referred to as junk bonds, are considered to be inherently speculative due to the risk associated with the issuer's continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.



*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes as are securities with higher credit ratings.

*Liquidity Risk.* High yield debt securities tend to be less liquid than higher quality debt securities, meaning that it may be difficult to sell high yield debt securities at a reasonable price or at a particular time. Assignments of syndicated bank loans may be less liquid at times, because of potential delays in the settlement process or restrictions on resale.

*Market Risk.* The entire high yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market volatility, large sustained sales of high yield bonds by major investors, high-profile defaults or the market's psychology. This degree of volatility in the high yield market is usually associated more with stocks than bonds. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.*

### First Investors Equity Funds:

Total Return Fund – The fund allocates its assets among stocks, bonds and money market instruments. While the percentage of assets allocated to each asset class is flexible rather than fixed, the fund normally invests at least 50% of its net assets in stocks and at least 35% in bonds, cash and money market instruments. The percentages may change due to, among other things, market fluctuations or

reallocation decisions by the fund's portfolio managers. Once the asset allocation for stocks, bonds and money market instruments has been set, the Adviser uses fundamental research and analysis to determine which particular investments to purchase or sell. The fund's investments in stocks are normally diversified among common stocks of large-, mid- and small-size companies that offer the potential for capital growth, current income, or both. In selecting stocks, the Adviser considers, among other things, the issuer's financial strength, management, earnings growth potential and history (if any) of paying dividends. The fund's investments in bonds are normally diversified among different types of bonds and other debt securities, including corporate bonds, U.S. Government securities and mortgage-backed securities. The Adviser selects bonds by first considering the outlook for the economy and interest rates, and thereafter, a particular security's characteristics. The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated, alternative investments become more attractive or if it is necessary to rebalance the portfolio. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Allocation Risk.* The fund may allocate assets to investment classes that underperform other classes. For example, the fund may be overweighted in stocks when the stock market is falling and the bond market is rising.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk also applies to securities issued or guaranteed by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near

historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*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. Similarly, bond prices fluctuate in value with changes in interest rates, the economy and the financial conditions of companies that issue them. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities. When interest rates decline, borrowers tend to refinance their mortgages. When this occurs, the mortgages that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the fund's sensitivity to rising interest rates and its potential for price declines.

*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.*

Equity Income Fund – The fund invests, under normal market conditions, primarily in dividend-paying stocks of companies that the Adviser believes are undervalued in the market relative to their long term potential. Under normal circumstances, the fund will invest at least 80% of its net assets (including any borrowings for investment purposes) in equities. For purposes of this 80% test, equities may

include common stock, preferred stock, equity-based ETFs and other instruments that are convertible into common stock, or other instruments that represent an equity position in an issuer. The fund normally will diversify its assets among dividend-paying stocks of large-, mid- and small-size companies. The fund may also invest in stocks of companies of any size that do not pay dividends, but have the potential of paying dividends in the future if they appear to be undervalued. The Adviser generally uses a "bottom-up" approach in attempting to identify stocks that are undervalued. This means that the Adviser generally identifies potential investments through fundamental research and analysis which includes, among other things, analyzing a company's balance sheet, cash flow statements and competition within a company's industry. The Adviser also assesses a company's corporate strategy and whether the company is operating in the interests of shareholders, as well as, analyzing economic trends, interest rates, and industry diversification. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated or alternative investment opportunities become more attractive. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Dividend Risk.* At times, the fund may not be able to identify dividend-paying stocks that are attractive investments. The income received by the fund will also fluctuate due to the amount of dividends that companies elect to pay. The fund may not have sufficient income to pay its shareholders regular dividends.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders. While dividend-paying stocks are generally considered less volatile than other stocks, there can be no guarantee that the fund's overall portfolio will be less volatile than the general stock market.

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

*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.

*Undervalued Securities 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.

*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.*

Growth & Income Fund – The fund primarily invests in common stocks that offer the potential for capital growth, current income or both. The fund primarily seeks to invest in common stocks of large-, mid-, and small-size companies that have a history of paying dividends. When the Adviser cannot identify dividend-paying stocks that it finds attractive, it may invest in non-dividend-paying stocks. The Adviser generally uses a "bottom-up" approach to selecting investments. This means that the Adviser generally identifies potential investments through fundamental research and analysis and thereafter focuses on other issues, such as economic trends, interest rates, industry diversification and market capitalization. In deciding whether to buy or sell securities, the Adviser considers, among other things, the issuer's financial strength, management, earnings growth or potential earnings growth and history (if any) of paying dividends. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated or alternative investments become more attractive. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Dividend Risk.* At times, the fund may not be able to identify dividend-paying stocks that are attractive investments. The income received by the fund will also fluctuate due to the amount of dividends that companies elect to pay. The fund may not have sufficient income to pay its shareholders regular dividends.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling

securities to meet redemption requests by shareholders. While dividend-paying stocks are generally considered less volatile than other stocks, there can be no guarantee that the fund's overall portfolio will be less volatile than the general stock market.

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

*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.*

Global Fund (subadvised) - The fund invests in a diversified portfolio of common stocks of companies that are located throughout the world, including the United States. Although the fund primarily invests in stocks of U.S. and foreign companies that are considered large to medium in size (measured by market capitalization) and that are traded in larger or more established markets, it may invest a significant amount in less-developed or emerging markets. The fund may also invest (to a lesser degree) in smaller size companies. The subadviser uses fundamental research and analysis to identify prospective investments. Security selection is based on any one or more of the following characteristics: profitability; return on invested capital; relative valuation; risk/return profile; quality of assets; industry structure/dynamics; hidden or unappreciated value; and/or quality of management. Once potential investments are identified, the subadviser constructs the fund's portfolio based on many factors including: (1) regional and country allocation; (2) industry and sector allocation; (3) company size; and (4) in the case of foreign securities, foreign currency exposure and the risks of trading and maintaining securities and cash in foreign countries. A stock may be sold if, in the portfolio manager's opinion: its downside risk equals or exceeds its upside potential; it suffers from a decreasing trend of earnings growth or suffers an earnings disappointment; or it experiences excessive valuations. The fund may engage in active and frequent trading, which may result in higher portfolio

turnover. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Emerging Markets Risk.* The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of returns than the developed markets and substantially greater risk to investors.

*Foreign Securities Risk.* There are special risk factors associated with investing in foreign securities, including the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies, potential political and economic instability, differing accounting and financial reporting standards or inability to obtain reliable financial information regarding a company's financial condition, less stringent regulation and supervision of foreign securities markets, custodians and securities depositories, and potential restrictions in the flow of capital.

*High Portfolio Turnover Risk.* High portfolio turnover could increase the fund's transaction costs and produce taxable distributions to shareholders and possibly have a negative impact on its performance.

*Liquidity Risk.* The fund is susceptible to the risk that certain securities may be difficult or impossible to sell at a time or price most favorable to the fund. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Select Growth Fund (subadvised) - The fund invests in a portfolio of approximately 40-45 common stocks that the fund's subadviser, Smith Asset Management Group, L.P. ("Smith"), believes offers the best potential for earnings growth with the lowest risk of negative earnings surprises. Smith employs quantitative and qualitative analysis to identify high quality companies that it believes have the ability to accelerate earnings growth and exceed investor expectations. Beginning with a universe of stocks that includes large-, mid- and small-size companies, Smith's investment team uses risk control and valuation screens primarily based on valuation, financial quality, stock volatility and corporate governance, to eliminate stocks that are highly volatile or are more likely to underperform the market. Stocks that pass the initial screens are then evaluated using a proprietary methodology and fundamental analysis to produce a list of 80-100 eligible companies with a high probability of earnings growth that exceeds investor expectations. The analysis includes an evaluation of changes in Wall Street opinions, individual analysts' historical accuracy, earnings quality analysis and corporate governance practices. Smith then constructs the fund's portfolio based on a traditional fundamental analysis of the companies identified on the list to understand their business prospects, earnings potential, strength of management and competitive positioning. Stocks may be sold if they exhibit negative investment or performance characteristics, including: a negative earnings forecast or report, valuation concerns, company officials' downward guidance on company performance or earnings or announcement of a buyout. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Growth Stock Risk.* The fund's focus on growth stocks increases the potential volatility of its share price. If expectations are not met, the prices of these stocks may decline significantly.

*Limited Holdings Risk.* Because the fund generally invests in a limited portfolio of only 40 to 45 stocks, it may be more volatile than other funds whose portfolios may contain a larger number of securities.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Opportunity Fund – The fund invests primarily in mid- and small-size companies that the Adviser believes offer strong growth opportunities. The fund may continue to hold stocks of companies that grow into larger companies and may also invest opportunistically in larger companies. The Adviser uses a “bottom-up” approach to selecting investments. The Adviser 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 attempts to stay broadly diversified, but it may emphasize certain industry sectors based upon economic and market conditions. The fund may sell a stock if it becomes fully valued, its fundamentals have deteriorated or alternative investments become more attractive. The fund may also sell a stock if it grows into a large, well-established company, although it may also continue to hold such a stock irrespective of its size. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Special Situations Fund - The fund invests primarily in common stocks of small-size companies that the 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 Adviser uses a "bottom-up" approach to selecting investments. The Adviser 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. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.

*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 mid-size companies tend to experience sharper price fluctuations. At times, it may be difficult for the fund to sell small- and 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.

*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.*

International Fund (subadvised) - The fund primarily invests in a portfolio of common stocks and other equity securities of companies that are located outside of the United States. To a limited degree, the fund may also invest in companies based in the United States. The fund typically invests in the securities of medium to large size companies, but will also invest in smaller companies. The fund's holdings may be limited to the securities of 40 to 60 different issuers and it may focus its investments in companies located in or tied economically to particular countries or regions. The fund generally invests in securities that are traded in the foreign securities markets, though it may invest significantly in emerging or developing markets. The subadviser selects investments by screening a universe of stocks that meet its "quality growth" criteria, which include high return on equity and low to moderate leverage, among others. It then further narrows that universe by using a bottom-up stock and business analysis approach to identify companies whose businesses are highly profitable, have consistent operating histories and financial performance and enjoy possible long-term economic prospects. The subadviser also seeks to generate greater returns by investing in securities at a

price below the company's intrinsic worth. In making sell decisions, the subadviser considers, among other things, whether a security's price target has been met, whether there has been an overvaluation of the issuer by the market, whether there has been a clear deterioration of future earnings power and whether, in the subadviser's opinion, there has been a loss of long-term competitive advantage. The fund may enter into spot currency trades (i.e. for cash at the spot rate prevailing in the foreign currency market) in connection with the settlement of transactions in securities traded in foreign currency. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Emerging Markets Risk.* The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of returns than the developed markets and substantially greater risk to investors.

*Foreign Securities Risk.* There are special risk factors associated with investing in foreign securities, including the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies, potential political and economic instability, differing accounting and financial reporting standards or inability to obtain reliable financial information regarding a company's financial condition, less stringent regulation and supervision of foreign securities markets, custodians and securities depositories, and potential restrictions in the flow of capital. The use of spot transactions does not reduce or eliminate these risks. To the extent the fund invests a significant portion of its assets in securities of a single country or region, it is more likely to be affected by events or conditions of that country or region. As a result, it may be more volatile than a more geographically diversified fund.

*Limited Holdings Risk.* The fund's assets may be invested in a limited number of issuers. This means that the fund's performance may be substantially impacted by the change in value of even a single holding.

*Liquidity Risk.* The fund is also susceptible to the risk that certain securities may be difficult or impossible to sell at a time or price most favorable to the fund. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

### First Investors Tax Exempt Funds:

Tax Exempt Income Fund – Under normal circumstances, at least 80% of the fund's net assets (plus any borrowings for investment purposes) will be invested in municipal securities that pay interest that is exempt from federal income tax, including the alternative minimum tax. However, the fund typically attempts to invest all of its assets in municipal securities that pay interest that is exempt from federal income tax, including the alternative minimum tax. The fund diversifies its assets among municipal bonds and securities of different states, municipalities, and U.S. territories, rather than concentrating in bonds of a particular state or municipality. The fund generally invests only in high quality municipal securities that are rated as, or, if unrated, are determined by the fund to be, investment grade at the time of purchase. Typically, the securities purchased by the fund have maturities of fifteen years or more at the time of purchase. However, the fund may invest in securities with any maturity and may also invest in the following types of derivatives: inverse floaters, interest rate swaps, futures contracts and options on futures contracts to increase income, hedge against changes in interest rates or enhance potential return. The fund may purchase or hold securities that are

insured against default by independent insurance companies. In selecting investments, the Adviser considers a variety of factors, including: a security's maturity, coupon, yield, credit quality and call protection, its value relative to other types of municipal securities, and the outlook for interest rates and the economy. The fund may sell a security for a variety of reasons, including to adjust the fund's duration, to replace it with another security that offers a higher yield or better relative value, to respond to a deterioration in its credit quality, or to raise cash to meet redemptions. Duration is a measurement of the bond's sensitivity to changes in interest rates. The fund generally takes taxes into consideration in deciding whether to sell an investment. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of securities will be unable to pay interest or principal when due. A municipal issuer's ability to pay interest and principal on its debt obligations may be adversely affected by a variety of factors, such as economic, political, regulatory, or legal developments; a downgrade in an issuer's credit rating; or other adverse news about the issuer.

*Derivatives Risk.* Investments in inverse floaters, interest rate swaps, futures contracts, and options on futures contracts involve risks, such as possible default by a counterparty to a swap agreement, potential losses if interest rates do not move as expected, and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind, or value.

*Interest Rate Risk.* The market value of municipal securities is affected by changes in interest rates. When interest rates rise, the market values of municipal securities decline, and when interest rates decline, the market values of municipal securities increase. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities. Since the fund typically purchases securities with longer maturities, the fund will generally have a high degree of interest rate risk. The fund's yield may also decline if interest rates decline.

*Liquidity Risk.* During times of market stress, it may be difficult to sell municipal securities at reasonable prices.

*Market Risk.* The prices of, and the income generated by, municipal securities may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests.

*Municipal Securities Risk.* The fund's return will be impacted by events that affect the municipal securities markets, including legislative, political, or judicial developments that are perceived to have a negative effect on municipal securities and economic conditions that threaten the ability of municipalities to raise taxes or obtain the other sources of revenue that back their securities.

*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax or effect transactions that produce taxable capital gains. Interest income on municipal securities held by the fund may also become subject to income tax due to an adverse change in the law or other events.

*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.*

Tax Exempt Opportunities Fund – Under normal circumstances, at least 80% of the fund's net assets (plus any borrowings for investment purposes) will be invested in municipal securities that pay interest that is exempt from federal income tax, including the alternative minimum tax. However, the fund typically attempts to invest all of its assets in municipal securities that pay interest that is exempt from federal income tax, including the alternative minimum tax. The fund diversifies its assets among municipal bonds and securities of different states, municipalities, and U.S. territories, rather than concentrating in bonds of a particular state or municipality. The fund generally invests only in high quality municipal securities that are rated as, or, if unrated, are determined by the fund to be, investment grade at the time of purchase. Typically, the securities purchased by the fund have maturities of fifteen years or more at the time of purchase. However, the fund may invest in securities with any maturity and may also invest in the following types of derivatives: inverse floaters, interest rate swaps, futures contracts and options on



futures contracts to increase income, hedge against changes in interest rates or enhance potential return. The fund may purchase or hold securities that are insured against default by independent insurance companies. In selecting investments, the fund considers a variety of factors, including: a security's maturity, coupon, yield, credit quality and call protection, its value relative to other types of municipal securities, and the outlook for interest rates and the economy. The fund seeks total return through actively trading to take advantage of relative value opportunities in the municipal bond market. As a result, the fund may, at times, engage in short-term trading, which could produce higher transaction costs and taxable distributions and may result in a lower total return and yield for the fund. The fund may sell a security for a variety of reasons, including to adjust the fund's duration, to replace it with another security that offers a higher yield or better relative value, to respond to a deterioration in its credit quality, or to raise cash to meet redemptions. Duration is a measurement of the bond's sensitivity to changes in interest rates. The fund generally takes taxes into consideration in deciding whether to sell an investment. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of securities will be unable to pay interest or principal when due. A municipal issuer's ability to pay interest and principal on its debt obligations may be adversely affected by a variety of factors, such as economic, political, regulatory, or legal developments; a downgrade in an issuer's credit rating; or other adverse news about the issuer.

*Derivatives Risk.* Investments in inverse floaters, interest rate swaps, futures contracts, and options on futures contracts involve risks, such as possible default by a counterparty to a swap agreement, potential losses if interest rates do not move as expected, and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind, or value.

*High Portfolio Turnover Risk.* High portfolio turnover could increase the fund's transaction costs and produce taxable distributions to shareholders and possibly have a negative impact on its performance.

*Interest Rate Risk.* The market value of municipal securities is affected by changes in interest rates. When interest rates rise, the market values of municipal securities decline, and when interest rates decline, the market values of municipal securities increase. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with



rising interest rates. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities. Since the fund typically purchases securities with longer maturities, the fund will generally have a high degree of interest rate risk. The fund's yield may also decline if interest rates decline.

*Liquidity Risk.* During times of market stress, it may be difficult to sell municipal securities at reasonable prices.

*Market Risk.* The prices of, and the income generated by, municipal securities may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests.

*Municipal Securities Risk.* The fund's return will be impacted by events that affect the municipal securities markets, including legislative, political, or judicial developments that are perceived to have a negative effect on municipal securities and economic conditions that threaten the ability of municipalities to raise taxes or obtain the other sources of revenue that back their securities.

*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax or effect transactions that produce taxable capital gains. Interest income on municipal securities held by the fund may also become subject to income tax due to an adverse change in the law or other events.

*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.*

California Tax Exempt Fund, Connecticut Tax Exempt Fund, Massachusetts Tax Exempt Fund, Michigan Tax Exempt Fund, Minnesota Tax Exempt Fund, New Jersey Tax Exempt Fund, New York Tax Exempt Fund, North Carolina Tax Exempt Fund, Ohio Tax Exempt Fund, Oregon Tax Exempt Fund, Pennsylvania Tax Exempt Fund and Virginia Tax Exempt Fund - Under normal circumstances, at least 80% of each fund's net assets (plus any borrowings for investment purposes) will be invested in

municipal securities that pay interest that is exempt from federal income tax, including the alternative minimum tax, and any applicable state income tax for individual residents of the state identified in the name of the fund. However, each of the Single State Tax Exempt Funds typically attempts to invest all of its assets in municipal securities that pay interest that is exempt from both federal income tax, including the alternative minimum tax, and any applicable state income tax for individual residents of the state identified in the name of the fund. Such securities include obligations issued by municipalities and other authorities in that state and U.S. possessions and territories, such as Puerto Rico ( for the Minnesota Tax Exempt Fund, such securities include obligations issued by municipalities and other authorities in Minnesota and may include, to a lesser extent, investments in obligations issued by U.S. possessions and territories, such as Puerto Rico). In certain cases, the interest paid by a fund may also be exempt from local taxes. Each fund generally invests only in high quality municipal securities that are rated as, or, if unrated, are determined by the fund to be, investment grade at the time of purchase. Typically, the securities purchased by the funds have maturities of fifteen years or more at the time of purchase. However, the funds may invest in securities with any maturity and may also invest in the following types of derivatives: inverse floaters, interest rate swaps, futures contracts and options on futures contracts to increase income, hedge against changes in interest rates or enhance potential return. Each fund may purchase or hold securities that are insured against default by independent insurance companies. In selecting investments, each fund considers a variety of factors, including: a security's maturity, coupon, yield, credit quality and call protection, its value relative to other types of municipal securities, and the outlook for interest rates and the economy. Each fund may sell a security for a variety of reasons, including to adjust the fund's duration, to replace it with another security that offers a higher yield or better relative value, to respond to a deterioration in its credit quality, or to raise cash to meet redemptions. Duration is a measurement of a bond's sensitivity to changes in interest rates. Each fund generally takes taxes into consideration in deciding whether to sell an investment. An investor can lose money by investing in these funds. There is no guarantee that the funds will meet its investment objective.

*Concentration Risk.* The fund's return will be affected significantly by events that affect its state's economy as well as legislative, political and judicial changes in the state. The fund's portfolio may be concentrated in a relatively small number of issuers.

*Credit Risk.* This is the risk that an issuer of securities will be unable to pay interest or principal when due. A municipal issuer's ability to pay interest and principal on

its debt obligations may be adversely affected by a variety of factors, such as economic, political, regulatory, or legal developments; a downgrade in an issuer's credit rating; or other adverse news about the issuer.

*Derivatives Risk.* Investments in inverse floaters, interest rate swaps, futures contracts, and options on futures contracts involve risks, such as possible default by a counterparty to a swap agreement, potential losses if interest rates do not move as expected, and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind, or value.

*Interest Rate Risk.* The market value of municipal securities is affected by changes in interest rates. When interest rates rise, the market values of municipal securities decline, and when interest rates decline, the market values of municipal securities increase. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities. Since the fund typically purchases securities with longer maturities, the fund will generally have a high degree of interest rate risk. The fund's yield may also decline if interest rates decline.

*Liquidity Risk.* During times of market stress, it may be difficult to sell municipal securities at reasonable prices.

*Market Risk.* The prices of, and the income generated by, municipal securities may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests.

*Municipal Securities Risk.* The fund's return will be impacted by events that affect the municipal securities markets, including legislative, political, or judicial developments that are perceived to have a negative effect on municipal securities and economic conditions that threaten the ability of municipalities to raise taxes or obtain the other sources of revenue that back their securities.

*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax or effect transactions that produce taxable capital gains. Interest income on municipal securities held by the fund may also become subject to income tax due to an adverse change in the law or other events.

*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.*

### First Investors Life Series Funds:

Life Series Cash Management Fund – The fund invests primarily in high-quality money market instruments that are determined by the Adviser to present minimal credit risk, including but not limited to commercial paper, short-term corporate bonds and notes, floating and variable rate notes, U.S. Treasury securities and short-term obligations of U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government). The fund's portfolio is managed to meet regulatory requirements that permit the fund to maintain a stable net asset value of \$1.00 per share. These include requirements relating to the credit quality, maturity, liquidity and diversification of the fund's investments. In buying and selling securities, the fund will consider its own credit analysis as well as ratings assigned by ratings services. An investor could lose money by investing in the fund. Although the fund seeks to preserve the value of an investor's investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and an investor should not expect that the sponsor will provide support to the fund at any time.

*Credit Risk.* There is a risk that the value of a money market instrument will decline if there is a default by or a deterioration in the credit quality of the issuer or a provider of a credit enhancement or demand feature. This could cause the fund's NAV to decline below \$1.00 per share. Credit risk also applies to securities issued

by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Interest Rate Risk.* Like the values of other debt instruments, the market values of money market instruments are affected by changes in interest rates. When interest rates rise, the market values of money market instruments generally decline. This could cause the fund's NAV to decline below \$1.00 per share. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates.

*Liquidity Risk.* The fund may be unable to sell a security at a time or price most favorable to the fund, which could have the effect of decreasing the overall level of the fund's liquidity. Market developments may cause the fund's investments to become less liquid and subject to erratic price movements, which may have an adverse effect on the fund's ability to maintain a \$1.00 share price.

*Market Risk.* The prices of, and the income generated by, the money market instruments held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Regulatory Risk.* The SEC recently adopted amendments to the money market fund rules. The amendments may require changes to the fund's operations and may negatively affect the fund's yield and return potential.

*Yield Risk.* The yields received by the fund on its investments will generally decline as interest rates decline.

*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. Although the fund seeks to preserve the value of an investor's investment at \$1.00 per share, it is possible to lose money by investing in the fund.*

Life Series Equity Income Fund – The fund invests, under normal market conditions, primarily in dividend-paying stocks of companies that the Adviser believes are

undervalued in the market relative to their long term potential. Under normal circumstances, the fund will invest at least 80% of its net assets (including any borrowings for investment purposes) in equities. For purposes of this 80% test, equities may include common stock, preferred stock, equity-based ETFs and other instruments that are convertible into common stock, and other instruments that represent an equity position in an issuer. The fund normally will diversify its assets among dividend-paying stocks of large-, mid- and small-size companies. The fund may also invest in stocks of companies of any size that do not pay dividends, but have the potential of paying dividends in the future if they appear to be undervalued. The Adviser generally uses a "bottom-up" approach in attempting to identify stocks that are undervalued. This means that the Adviser generally identifies potential investments through fundamental research and analysis which includes, among other things, analyzing a company's balance sheet, cash flow statements and competition within a company's industry. The Adviser also assesses a company's corporate strategy and whether the company is operating in the interests of shareholders, as well as, analyzing economic trends, interest rates, and industry diversification. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated or alternative investment opportunities become more attractive. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Dividend Risk.* At times, the fund may not be able to identify dividend-paying stocks that are attractive investments. The income received by the fund will also fluctuate due to the amount of dividends that companies elect to pay. The fund may not have sufficient income to pay its shareholders regular dividends.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders. While dividend-paying stocks are generally considered less volatile than other stocks, there can be no guarantee that the fund's overall portfolio will be less volatile than the general stock market.

*Mid-Size and Small-Size Company Risk.* The market risk associated with stocks of mid- and small-size companies is generally greater than that associated with stocks of larger, more established companies because stocks of mid- and small-size

companies tend to experience sharper price fluctuations. At times, it may be difficult for the fund to sell mid-to-small-size company stocks at reasonable prices.

*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.

*Undervalued Securities 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.

*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.*

Life Series Fund For Income (subadvised) – The fund primarily invests in high yield, below investment grade corporate bonds (commonly known as “high yield” or “junk bonds”). High yield bonds include both bonds that are rated below Baa3 by Moody's Investors Service, Inc. or below BBB- by Standard & Poor's Ratings Services as well as unrated bonds that are determined by the subadviser to be of equivalent quality. High yield bonds generally provide higher income than investment grade bonds to compensate investors for their higher risk of default (i.e., failure to make required interest or principal payments). The fund may also invest in other high yield debt securities, such as assignments of syndicated bank loans. Although the subadviser will consider ratings assigned by ratings agencies in selecting high yield bonds, it relies principally on its own research and investment analysis. The fund may sell a bond when it shows deteriorating fundamentals or it falls short of the portfolio manager's expectations. It may also decide to continue to hold a bond (or related securities) after its issuer defaults or is subject to a bankruptcy. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities, including syndicated bank loans, will be unable to pay interest or principal when due. The price of bonds and other debt securities are affected by the credit quality of the issuer.

*Floating Rate Loan Risk.* The value of any collateral securing a floating rate loan may decline, be insufficient to meet the obligations of the borrower, or be difficult



or costly to liquidate. In the event of a default, the fund may have difficulty collecting on any collateral and a floating rate loan can decline significantly in value. The fund's access to collateral may also be limited by bankruptcy or other insolvency laws. If a floating rate loan is acquired through an assignment, the fund may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. In addition, high yield floating rate loans usually are more credit sensitive than interest rate sensitive, although the value of these instruments may be affected by interest rate swings in the overall fixed income market.

*High Yield Securities Risk.* High yield bonds and other types of high yield debt securities, including syndicated bank loans, have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield securities, commonly referred to as junk bonds, are considered to be inherently speculative due to the risk associated with the issuer's continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes as are securities with higher credit ratings.

*Liquidity Risk.* High yield debt securities tend to be less liquid than higher quality debt securities, meaning that it may be difficult to sell high yield debt securities at a reasonable price or at a particular time. Assignments of syndicated bank loans may be less liquid at times, because of potential delays in the settlement process or restrictions on resale.

*Market Risk.* The prices of, and the income generated by, the bonds held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. The entire high yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market volatility, large sustained sales of high yield bonds by major investors, high-profile defaults or the market's psychology. Volatility in the high yield market is usually associated more with stocks than



bonds. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.*

Life Series Government Fund – Under normal circumstances, the fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in securities issued or guaranteed as to payment of principal and interest by the U.S. Government, its agencies or instrumentalities ("U.S. Government Securities"). The fund invests in all types of U.S. Government Securities, which may include (a) U.S. Treasury obligations, (b) securities that are issued or guaranteed by U.S. Government agencies or instrumentalities that are backed by the full faith and credit of the U.S. Government, such as mortgage-backed securities that are guaranteed by the Government National Mortgage Association ("GNMA"), and (c) securities that are issued or guaranteed by agencies or instrumentalities that are sponsored by Congress but whose securities are not guaranteed by the U.S. Government and are backed solely by the credit of the issuing agency or instrumentality and the right to borrow from the U.S. Treasury, such as mortgage-backed securities issued by the Federal National Mortgage Association ("Fannie Mae") and Federal Home Loan Mortgage Corporation ("Freddie Mac"). The fund may also invest in U.S. Treasury futures and options on Treasury futures to hedge against changes in interest rates. The Adviser uses a "top down" approach in making investment decisions based on its assessment of interest rates, economic and market conditions, and the relative values of different types of U.S. Government securities. In selecting investments, the Adviser considers, among other factors, maturity, yield, relative value and, in the case of mortgage-backed securities, coupon and weighted average maturity. The fund will usually sell an investment when there are changes in the interest rate environment that are adverse to the investment. An investor can lose money by investing in the fund. While the fund invests in securities that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities, an investment in the fund is not insured or guaranteed by the U.S. Government. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds will be unable to pay interest or principal when due. The prices of bonds are affected by the credit quality of the issuer and, in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises (such as Fannie Mae and Freddie Mac mortgage-backed securities) that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Market Risk.* The prices of, and the income generated by, the debt securities held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities. When interest rates decline, borrowers tend to refinance their mortgages. When this occurs, the mortgages that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the fund's sensitivity to interest rates and its potential for price declines.

*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.*

Life Series Growth & Income Fund – The fund primarily invests in common stocks that offer the potential for capital growth, current income or both. The fund primarily seeks to invest in common stocks of large-, mid-, and small-size companies that have a history of paying dividends. When the Adviser cannot identify dividend-paying stocks that it finds attractive, it may invest in non-dividend-paying stocks. The Adviser generally uses a "bottom-up" approach to selecting investments. This means that the Adviser generally identifies potential investments through fundamental research and analysis and thereafter focuses on other issues, such as economic trends, interest rates, industry diversification and market capitalization. In deciding whether to buy or sell securities, the Adviser considers, among other things, the issuer's financial strength, management, earnings growth or potential earnings growth and history (if any) of paying dividends. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated or alternative investments become more attractive. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Dividend Risk.* At times, the fund may not be able to identify dividend-paying stocks that are attractive investments. The income received by the fund will also fluctuate due to the amount of dividends that companies elect to pay. The fund may not have sufficient income to pay its shareholders regular dividends.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders. While dividend-paying stocks are generally considered less volatile than other stocks, there can be no guarantee that the fund's overall portfolio will be less volatile than the general stock market.

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

*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.*

Life Series International Fund (subadvised) - The fund primarily invests in a portfolio of common stocks and other equity securities of companies that are located outside of the United States. To a limited degree, the fund may also invest in companies based in the United States. The fund typically invests in the securities of medium to large size companies, but will also invest in smaller companies. The fund's holdings may be limited to the securities of 40 to 60 different issuers and it may focus its investments in companies located in or tied economically to particular countries or regions. The fund generally invests in securities that are traded in the foreign securities markets, though it may invest significantly in emerging or developing markets. The subadviser selects investments by screening a universe of stocks that meet its "quality growth" criteria, which include high return on equity and low to moderate leverage, among others. It then further narrows that universe by using a bottom-up stock and business analysis approach to identify companies whose businesses are highly profitable, have consistent operating histories and financial performance and enjoy possible long-term economic prospects. The subadviser also seeks to generate greater returns by investing in securities at a price below the company's intrinsic worth. In making sell decisions, the subadviser considers, among other things, whether a security's price target has been met, whether there has been an overvaluation of the issuer by the market, whether there has been a clear deterioration of future earnings power and whether, in the subadviser's opinion, there has been a loss of long-term competitive advantage. The fund may enter into spot currency trades (i.e. for cash at the spot rate prevailing in the foreign currency market) in connection with the settlement of transactions in securities traded in foreign currency. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Emerging Markets Risk.* The risks of investing in foreign securities are heightened when investing in emerging or developing markets. The economies and political environments of emerging or developing countries tend to be more unstable than those of developed countries, resulting in more volatile rates of returns than the developed markets and substantially greater risk to investors.

*Foreign Securities Risk.* There are special risk factors associated with investing in foreign securities, including the risks of fluctuations in the exchange rates between the U.S. dollar and foreign currencies, potential political and economic instability, differing accounting and financial reporting standards or inability to obtain reliable financial information regarding a company's financial condition, less stringent regulation and supervision of foreign securities markets, custodians and securities depositories, and potential restrictions in the flow of capital. The use of spot transactions does not reduce or eliminate these risks. To the extent the fund invests a significant portion of its assets in securities of a single country or region, it is more likely to be affected by events or conditions of that country or region. As a result, it may be more volatile than a more geographically diversified fund.

*Limited Holdings Risk.* The fund's assets may be invested in a limited number of issuers. This means that the fund's performance may be substantially impacted by the change in value of even a single holding.

*Liquidity Risk.* The fund is also susceptible to the risk that certain securities may be difficult or impossible to sell at a time or price most favorable to the fund. This risk is particularly acute in the case of foreign securities that are traded in smaller, less-developed or emerging markets.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Life Series Investment Grade Fund - Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in investment grade debt securities. The fund defines investment grade debt securities as those that are rated within the four highest ratings categories by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P") or that are unrated but determined by the fund's Adviser to be of quality equivalent to those within the four highest ratings of Moody's or S&P. The fund may invest in a variety of different types of investment grade securities, including corporate bonds, securities issued or guaranteed by the U.S. Government or U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government), and mortgage-backed and other asset-backed securities. The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. In making investment decisions, the Adviser considers the outlook for interest rates, economic forecasts and market conditions, credit ratings, and its own analysis of an issuer's financial condition. The fund will not necessarily sell an investment if its rating is reduced and it may hold securities that have been downgraded below investment grade (commonly known as "high yield" or "junk" bonds). An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed and asset-backed securities, the credit quality of the underlying loans. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury Futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Liquidity Risk.* High yield debt securities tend to be less liquid than higher quality debt securities, meaning that it may be difficult to sell high yield debt securities at reasonable prices.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed and other asset-backed securities. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, borrowers tend to repay their loans less quickly, which will generally increase the fund's sensitivity to interest rates and its potential for price declines.

*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.*

Life Series Limited Duration High Quality Bond Fund – Under normal circumstances, the fund will invest at least 80% of its net assets (plus any borrowings for investment purposes) in investment grade bonds. For purposes of the 80% test, investment grade bonds also include other investment grade fixed-income securities. The fund defines investment grade debt securities as those that are



rated within the four highest ratings categories by Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Rating Services ("S&P") or that are unrated but determined by the fund's Adviser to be of quality equivalent to those within the four highest ratings categories of Moody's or S&P. The fund may invest in a variety of different types of investment grade securities, including corporate bonds, securities issued or guaranteed by the U.S. Government or U.S. Government-sponsored enterprises (some of which are not backed by the full faith and credit of the U.S. Government), mortgage-backed and other asset-backed securities. The fund may invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The fund seeks to maintain an average duration of between two and six years. Duration is a measurement of a bond's sensitivity to changes in interest rates. For every 1% change in interest rates, a bond's price would be expected to change approximately 1% in the opposite direction for each year of duration. For example, if a portfolio of fixed income securities has an average duration of three years, its value can be expected to fall about 3% if interest rates rise by 1%. Conversely, the portfolio's value can be expected to rise approximately 3% if interest rates fall by 1%. As a result, prices of securities with longer durations tend to be more sensitive to interest rate changes than prices of securities with shorter durations. By comparison, a debt security's "maturity" is the date on which the security matures and the issuer is obligated to repay principal. Duration is typically not equal to maturity. In making investment decisions, the Adviser considers the outlook for interest rates, economic forecasts and market conditions, credit ratings, and its own analysis of an issuer's financial condition. The fund will not necessarily sell an investment if its rating is reduced and it may hold securities that have been downgraded below investment grade (commonly known as "high yield" or "junk" bonds). An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed and asset-backed securities, the credit quality of the underlying loans. Credit risk also applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as



potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind, or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Market Risk.* The prices of, and the income generated by, the debt securities held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed and other asset-backed securities. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the Fund's sensitivity to interest rates and its potential for price declines.

*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.*

Life Series Opportunity Fund – The fund invests primarily in mid- and small-size companies that the Adviser believes offer strong growth opportunities. The fund may continue to hold stocks of companies that grow into larger companies and may

also invest opportunistically in larger companies. The Adviser uses a “bottom-up” approach to selecting investments. The Adviser 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 attempts to stay broadly diversified, but it may emphasize certain industry sectors based upon economic and market conditions. The fund may sell a stock if it becomes fully valued, its fundamentals have deteriorated or alternative investments become more attractive. The fund may also sell a stock if it grows into a large, well-established company, although it may also continue to hold such a stock irrespective of its size. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Life Series Select Growth Fund (subadvised) - The fund invests in a portfolio of approximately 40-45 common stocks that the fund’s subadviser, Smith Asset Management Group, L.P. (“Smith”), believes offers the best potential for earnings growth with the lowest risk of negative earnings surprises. Smith employs quantitative and qualitative analysis to identify high quality companies that it believes have the ability to accelerate earnings growth and exceed investor

expectations. Beginning with a universe of stocks that includes large-, mid- and small-size companies, Smith's investment team uses risk control and valuation screens primarily based on valuation, financial quality, stock volatility and corporate governance, to eliminate stocks that are highly volatile or are more likely to underperform the market. Stocks that pass the initial screens are then evaluated using a proprietary methodology and fundamental analysis to produce a list of 80-100 eligible companies with a high probability of earnings growth that exceeds investor expectations. The analysis includes an evaluation of changes in Wall Street opinions, individual analysts' historical accuracy, earnings quality analysis and corporate governance practices. Smith then constructs the fund's portfolio based on a traditional fundamental analysis of the companies identified on the list to understand their business prospects, earnings potential, strength of management and competitive positioning. Stocks may be sold if they exhibit negative investment or performance characteristics, including: a negative earnings forecast or report, valuation concerns, company officials' downward guidance on company performance or earnings or announcement of a buyout. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Growth Stock Risk.* The fund's focus on growth stocks increases the potential volatility of its share price. If expectations are not met, the prices of these stocks may decline significantly.

*Limited Holdings Risk.* Because the fund generally invests in a limited portfolio of only 40 to 45 stocks, it may be more volatile than other funds whose portfolios may contain a larger number of securities.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*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.*

Life Series Special Situations Fund - The fund invests primarily in common stocks of small- size companies that the 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 Adviser uses a "bottom-up" approach to selecting investments. The Adviser 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. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*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. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.

*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 mid-size companies tend to experience sharper price fluctuations. At times, it may be difficult for the fund to sell small- and 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.

*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.*

Life Series Target Maturity 2015 Fund - The fund invests at least 65% of its total assets in zero coupon securities. The vast majority of the fund's investments consist of non-callable zero coupon bonds issued by the U.S. Government, its agencies or instrumentalities, that mature on or around the maturity date of the fund (December 31, 2015). Zero coupon securities are debt obligations that do not entitle holders to any periodic payments of interest prior to maturity and therefore are issued and traded at discounts from their face values. The fund may also invest in securities issued by U.S. Government-sponsored enterprises such as Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Although such U.S. Government-sponsored enterprises are chartered and sponsored by Acts of Congress, their securities are not backed by the full faith and credit of the U.S. Government. The fund seeks zero coupon bonds that will mature on or about the fund's maturity date. As the fund's zero coupon bonds mature, the proceeds will be invested in short term U.S. government securities. On the fund's maturity date, the fund's assets will be converted to cash and distributed, and the fund will be liquidated. Although the fund generally follows a buy and hold strategy, the fund may sell an investment when the fund identifies an opportunity to increase its yield or it needs cash to meet redemptions. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Credit Risk.* This is the risk that an issuer of bonds will be unable to pay interest or principal when due. The prices of bonds are affected by the credit quality of the

issuer. Credit risk applies to securities issued by the U.S. Government and by U.S. Government-sponsored enterprises (such as Fannie Mae and Freddie Mac securities), which are not supported by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a bond declines, and when interest rates decline, the market value of a bond increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. The market prices of zero coupon securities are generally more volatile than the market prices of securities paying interest periodically and, accordingly, will fluctuate far more in response to changes in interest rates than those of non-zero coupon securities having similar maturities and yields. Securities with longer maturities are generally more sensitive to interest rate changes.

*Market Risk.* The prices of, and the income generated by, the securities held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

*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.*

Life Series Total Return Fund – The fund allocates its assets among stocks, bonds and money market instruments. While the percentage of assets allocated to each asset class is flexible rather than fixed, the fund normally invests at least 50% of its net assets in stocks and at least 35% in bonds, cash and money market instruments. The percentages may change due to, among other things, market fluctuations or reallocation decisions by the fund's portfolio managers. Once the asset allocation for stocks, bonds and money market instruments has been set, the Adviser uses fundamental research and analysis to determine which particular investments to purchase or sell. The fund's investments in stocks are normally

diversified among common stocks of large-, mid- and small-size companies that offer the potential for capital growth, current income, or both. In selecting stocks, the Adviser considers, among other things, the issuer's financial strength, management, earnings growth potential and history (if any) of paying dividends. The fund's investments in bonds are normally diversified among different types of bonds and other debt securities, including corporate bonds, U.S. Government securities and mortgage-backed securities. The Adviser selects bonds by first considering the outlook for the economy and interest rates, and thereafter, a particular security's characteristics. The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated, alternative investments become more attractive or if it is necessary to rebalance the portfolio. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Allocation Risk.* The fund may allocate assets to investment classes that underperform other classes. For example, the fund may be overweighted in stocks when the stock market is falling and the bond market is rising.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk also applies to securities issued or guaranteed by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. The securities issued by U.S. Government-sponsored enterprises are supported only by the credit of the issuing agency, instrumentality or corporation.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with



rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*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. Similarly, the prices of, and the income generated by, the bonds held by the fund may decline in response to certain events, such as general economic and market conditions, regional or global economic instability, interest rate fluctuations, and those events directly involving the issuers. While stocks and bonds may react differently to economic events, there are times when stocks and bonds both may decline in value simultaneously. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities. When interest rates decline, homeowners tend to refinance their mortgages. When this occurs, the mortgages that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the fund's sensitivity to rising interest rates and its potential for price declines.

*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.*



### Other Accounts:

The Adviser manages several internal accounts without charging a fee (although it may be reimbursed for certain expenses). No member of the public can invest in any of these accounts. These accounts consist of the Adviser's own proprietary account; the General Account Portfolio of Foresters Life Insurance and Annuity Company, the Adviser's affiliate; and the Profit Sharing Plan that the Adviser maintains for its own employees and that of its affiliates. Investing in securities involves risk of loss that clients should be prepared to bear.

Adviser's Proprietary Account – The principal investment strategies of the fixed income portion of the account include cash management and purchase of short duration U.S. government securities and high quality corporate debt. The equity portion of the account invests in common stocks that offer the potential for capital growth, current income or both. When purchasing equities, the account generally seeks to invest in common stocks of large-, mid-, and small-size companies that have a history of paying dividends. When the account cannot identify dividend-paying stocks that it finds attractive, it may invest in non-dividend-paying stocks. When purchasing equities, the account generally uses a "bottom-up" approach to selecting investments. This means that the account generally identifies potential investments through fundamental research and analysis and thereafter focuses on other issues, such as economic trends, interest rates, industry diversification and market capitalization.

*Allocation Risk.* The account may allocate assets to investment classes that underperform other classes. For example, the account may be overweighted in stocks when the stock market is falling and the bond market is rising.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer. Credit risk also applies to securities issued or guaranteed by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government.

*Dividend Risk.* At times, the account may not be able to identify dividend-paying stocks that are attractive investments. The income received by the account will also fluctuate due to the amount of dividends that companies elect to pay.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the account's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*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. Similarly, bond prices fluctuate in value with changes in interest rates, the economy and financial conditions of companies that issue them. While dividend-paying stocks are generally considered less volatile than other stocks, there can be no guarantee that the account's equity portfolio will be less volatile than the general stock market.

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

*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.

General Account Portfolio of Foresters Life Insurance and Annuity Company ("FLIAC") – FLIAC's investment objectives are to match the assets and liabilities of FLIAC, to obtain as high a level of current interest income as the Adviser believes is consistent with the preservation of invested capital, and to provide a total rate of return that is comparable to certain market benchmarks. These objectives may be weighted differently for different segments of FLIAC's investment portfolio. The adviser seeks to achieve these investment objectives by investing in a diversified portfolio of securities. There are market risks inherent in all investments in securities and there can be no assurance that the Adviser will achieve these objectives. Portfolio securities will be selected pursuant to the following fundamental investment policies:

1. Cash Balances. Cash balances that are pending permanent investment will be invested in high grade, corporate commercial paper. The corporate paper must have the highest rating by one or more of the nationally recognized rating organizations. Other acceptable short-term investments include U.S. Treasury bills and notes, certificates of deposit, time deposits, bankers' acceptances and money market funds.
2. Corporate Bonds. Corporate bonds will include bonds, notes, debentures and other evidences of indebtedness issued, assumed or guaranteed by a corporation incorporated under the laws of the United States of America, of any state, district or territorial possession thereof or of the Dominion of Canada or any province thereof; provided that the bonds are rated class 1 or 2 by the Securities Valuation Office ("SVO") of the National Association of Insurance Commissioners ("NAIC").
3. Government Obligations. Government obligations include bonds, notes, bills and other evidences of indebtedness issued, assumed or guaranteed by the U.S. Government, its agencies or instrumentalities or of any state or municipality thereof, or of the Dominion of Canada or any province thereof; provided that the bonds are rated class 1 or 2 by the SVO of the NAIC.
4. Mortgage-Backed Securities. Mortgage-backed securities include obligations issued by:
  - A. The Government National Mortgage Association;
  - B. The Federal National Mortgage Association;
  - C. The Federal Home Loan Mortgage Corporation;
  - D. FHA and VA insured or guaranteed loans, or any other government guaranteed loans.
5. Equity Securities. Equity securities include preferred stocks, mutual fund shares or common stocks which are traded on a national exchange, provided that the preferred stocks are rated class 1 or 2 by the SVO of the NAIC.

The Adviser may, with prior written approval of FLIAC's Board of Directors, make investments other than those permitted under Investment Policies 1 through 5, provided that such investments are authorized or permitted under the New York Insurance Law. Currently, the FLIAC account also invests in high yield, below investment grade corporate bonds (commonly known as "high yield" or "junk bonds").

*Allocation Risk.* The account may allocate assets to investment classes that underperform other classes. For example, the account may be overweighted in stocks when the stock market is falling and the bond market is rising.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk also applies to securities issued by U.S. Government-sponsored enterprises (such as Fannie Mae and Freddie Mac mortgage-backed securities) that are not supported by the full faith and credit of the U.S. Government. In addition, a municipal issuer's ability to pay interest and principal on its debt obligations may be adversely affected by a variety of factors, such as economic, political, regulatory, or legal developments; a downgrade in an issuer's credit rating; or other adverse news about the issuer.

*High Yield Securities Risk.* High yield bonds and other types of high yield debt securities have greater credit risk than higher quality debt securities because the companies that issue them are not as financially strong as companies with investment grade ratings. High yield securities, commonly referred to as junk bonds, are considered to be inherently speculative due to the risk associated with the issuer's continuing ability to make principal and interest payments. During times of economic downturn, issuers of high yield debt securities may not have the ability to access the credit markets to refinance their bonds or meet other credit obligations.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the account's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*Liquidity Risk.* During times of market stress, it may be difficult to sell certain securities at reasonable prices.

*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. Similarly, bond prices fluctuate in value with changes in interest rates, the economy and financial conditions of companies that

issue them. The entire high yield bond market can experience sharp price swings due to a variety of factors, including changes in economic forecasts, stock market volatility, large sustained sales of high yield bonds by major investors, high-profile defaults or the market's psychology. This degree of volatility in the high yield market is usually associated more with stocks than bonds.

*Municipal Securities Risk.* The account's return may be impacted by events that affect the municipal securities markets, including legislative, political, or judicial developments that are perceived to have a negative effect on municipal securities and economic conditions that threaten the ability of municipalities to raise taxes or obtain the other sources of revenue that back their securities.

*Prepayment and Extension Risk.* The account is subject to prepayment and extension risk since it invests in mortgage-backed. When interest rates decline, borrowers tend to refinance their loans. When this occurs, the loans that back these securities suffer a higher rate of prepayment. This could cause a decrease in the account's income. When interest rates rise, the segment of the account's portfolio invested in mortgage-backed securities average maturity may lengthen due to a drop in prepayments. This may increase both the account's sensitivity to interest rates and its potential for price declines.

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

Profit Sharing Plan ("PSP") – the PSP invests exclusively in the First Investors Total Return Fund. The Total Return Fund allocates its assets among stocks, bonds and money market instruments. While the percentage of assets allocated to each asset class is flexible rather than fixed, the fund normally invests at least 50% of its net assets in stocks and at least 35% in bonds, cash and money market instruments. The percentages may change due to, among other things, market fluctuations or reallocation decisions by the fund's portfolio managers. Once the asset allocation for stocks, bonds and money market instruments has been set, the Adviser uses fundamental research and analysis to determine which particular investments to purchase or sell. The fund's investments in stocks are normally diversified among common stocks of large-, mid- and small-size companies that offer the potential for capital growth, current income, or both. In selecting stocks, the Adviser considers, among other things, the issuer's financial strength, management, earnings growth potential and history (if any) of paying dividends. The fund's investments in bonds are normally diversified among different types of bonds and other debt securities,

including corporate bonds, U.S. Government securities and mortgage-backed securities. The Adviser selects bonds by first considering the outlook for the economy and interest rates, and thereafter, a particular security's characteristics. The fund may also invest in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates. The fund may sell a security if it becomes fully valued, its fundamentals have deteriorated, alternative investments become more attractive or if it is necessary to rebalance the portfolio. An investor can lose money by investing in the fund. There is no guarantee that the fund will meet its investment objective.

*Allocation Risk.* The fund may allocate assets to investment classes that underperform other classes. For example, the fund may be overweighted in stocks when the stock market is falling and the bond market is rising.

*Credit Risk.* This is the risk that an issuer of bonds and other debt securities will be unable to pay interest or principal when due. The prices of bonds and other debt securities are affected by the credit quality of the issuer and, in the case of mortgage-backed securities, the credit quality of the underlying mortgages. Credit risk also applies to securities issued or guaranteed by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government.

*Derivatives Risk.* Investments in U.S. Treasury futures and options on U.S. Treasury futures to hedge against changes in interest rates involve risks, such as potential losses if interest rates do not move as expected and the potential for greater losses than if these techniques had not been used. Investments in derivatives can increase the volatility of the fund's share price and may expose the fund to significant additional costs. Derivatives may be difficult to sell, unwind or value.

*Interest Rate Risk.* In general, when interest rates rise, the market value of a debt security declines, and when interest rates decline, the market value of a debt security increases. As of the date of this brochure, interest rates are at or near historic lows, which may increase the fund's exposure to the risks associated with rising interest rates. Securities with longer maturities are generally more sensitive to interest rate changes.

*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. Similarly, bond prices fluctuate in value with changes in interest rates, the economy and the financial conditions of companies

that issue them. Adverse market events may lead to increased redemptions, which could cause the fund to experience a loss when selling securities to meet redemption requests by shareholders.

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

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities. When interest rates decline, borrowers tend to refinance their mortgages. When this occurs, the mortgages that back these securities suffer a higher rate of prepayment. This could cause a decrease in the fund's income and share price. Extension risk is the flip side of prepayment risk. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will generally increase both the fund's sensitivity to rising interest rates and its potential for price declines.

*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.*

## **Item 9 – Disciplinary Information**

Foresters Investment Management Company, Inc. (the “Adviser”) and its supervised persons have not been involved in any legal or disciplinary events that would be material to a client’s evaluation of the Adviser or the integrity of the Adviser’s management.



## **Item 10 – Other Financial Industry Activities and Affiliations**

Foresters Investment Management Company, Inc. (the “Adviser”) serves as investment adviser to separate series of a family of mutual funds, including funds which serve as the underlying investments for insurance products offered by Foresters Life Insurance and Annuity Company, an affiliated insurance company. The following registered investment companies are in this family of funds: First Investors Equity Funds, First Investors Income Funds, First Investors Life Series Funds, and First Investors Tax-Exempt Funds. The Adviser also manages its own investment portfolio and other proprietary accounts as described below. The following companies are affiliates of the Adviser:

- Foresters Financial Services, Inc. (“FFS”) is a broker-dealer registered with the SEC, all fifty states, the District of Columbia and Puerto Rico. FFS, which formerly was named First Investors Corporation, is the principal underwriter of the First Investors Equity Funds, First Investors Income Funds and First Investors Tax-Exempt Funds. The Adviser serves as investment adviser to the Profit Sharing Plan of Foresters Financial Services, Inc..
- Foresters Life Insurance and Annuity Company (“FLIAC”) is a New York State-domiciled insurance company. FLIAC, which formerly was named First Investors Life Insurance Company, is the sponsor of the separate accounts that invest in First Investors Life Series Funds. The Adviser serves as investment adviser to the General Account Portfolio of Foresters Life Insurance and Annuity Company.
- Foresters Investor Services, Inc. (“FIS”), which formerly was named Administrative Data Management Corp., is the SEC registered transfer agent of the First Investors funds.
- Foresters Advisory Services, LLC (“FAS”), which formerly was named First Investors Advisory Services, LLC, is an investment adviser registered with the SEC that offers portfolio management services to individual clients.

FFS, FLIAC, FIS, FAS and the Adviser are wholly-owned subsidiaries of the same holding company, Foresters Financial Holding Company, Inc. (“FFHC”), which formerly was named First Investors Consolidated Corporation. Their income and profits are shared at the holding company level. FFHC is a wholly-owned

subsidiary of The Independent Order of Foresters ("Foresters"), a fraternal benefit society life insurance provider based in Toronto, Canada. Foresters also wholly owns Foresters Equity Services, Inc. ("FESCO"), which is a U.S. registered broker-dealer and investment adviser and an affiliate of the Adviser.

Several officers and employees of the Adviser are also officers or are otherwise affiliated with FFS, FLIAC, FIS, FAS, FESCO and/or the First Investors funds, and may receive some portion of their compensation from the Adviser's affiliates. The amount of time spent on each business activity varies based on business needs. Such officers and employees remain subject to the Adviser's Code of Ethics (described in Item 11 of this brochure) when performing functions for the Adviser's affiliates.

## Item 11 – Code of Ethics

### Code of Ethics

In accordance with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-1 under the 1940 Act, the First Investors Funds ("Funds"), Foresters Investment Management Company, Inc. (the "Adviser" or "FIMCO"), and their principal underwriter, Foresters Financial Services, Inc. ("FFS") have adopted a Code of Ethics to protect the Funds and other advisory clients of FIMCO ("Other Advisory Clients") from actual and potential conflicts of interest which may arise from the Personal Securities Transactions and other conduct of access persons ("Access Persons").

Under the Code of Ethics, all Access Persons are expected to not only comply with the federal securities laws and the Code of Ethics, but also to follow the highest fiduciary and ethical standards in all business and personal dealings which could in any way affect the Funds or Other Advisory Clients. The guiding principles for all Access Persons are to place the interests of the Funds and Other Advisory Clients first at all times, to avoid placing themselves in any position in which there is any actual or apparent conflict of interest with the interests of the Funds or Other Advisory Clients, and to refrain from taking any inappropriate advantage of their positions of trust and responsibility.

Subject to certain exemptions, all Access Persons, except the Independent Trustees of the Funds, are subject to a number of restrictions on their personal trading activities. Among other things, Access Persons (a) must report to FIMCO upon hire, and annually thereafter, all holdings of covered securities, as defined in Rule 17j-1 under the 1940 Act, and investments in the First Investors Family of Funds; (b) must have all non-exempt trades in covered securities pre-cleared; (c) are generally prohibited from trading covered securities while any of the Funds are buying or selling or actively considering buying or selling the same covered securities; (d) are prohibited from retaining profits from short-term trading in covered securities; (e) must report to a compliance officer on a quarterly basis all holdings of covered securities and investments in the First Investors Family of Funds via duplicate account statements, confirmations or quarterly transaction reports; and (f) are prohibited from purchasing covered securities in limited offerings, including initial public offerings and private placements, unless a compliance officer determines that there are no actual or apparent conflicts

between the interest of the Access Persons and the Funds. Subject to the restrictions discussed above, Access Persons are permitted to invest in securities, including securities that may be purchased or held by the Funds.

The Adviser will provide a copy of its Code to any client or prospective client upon request.

#### Participation or Interests in Client Transactions

The Adviser's portfolio managers may manage more than one mutual fund. In many cases the mutual funds are managed similarly, except to the extent required by differences in cash flow, investment policy, or law. In addition, the Adviser's Director of Equity participates in the day-to-day management of the Adviser's own investment account. The Adviser's Director of Fixed Income also participates in the day-to-day management of the general account of the Adviser's life insurance company affiliate and the Adviser's own investment account. Portions of these non-fund accounts may be managed similarly to one or more of the mutual funds.

The side-by-side management of two or more mutual funds or non-fund accounts presents a variety of potential conflicts of interest. For example, the portfolio manager may purchase or sell securities for one portfolio and not another portfolio, and the performance of securities purchased for one portfolio may vary from the performance of securities purchased for other portfolios. A portfolio manager may also want to buy the same security for two mutual funds that he manages or a fund and a non-fund account. In some cases, there may not be sufficient amounts of the security available (for example, in the case of an initial public offering ("IPO") or new bond offering) to cover the needs of all of the accounts managed by a portfolio manager or the buying activity of the accounts could affect the market value of the security. Similar potential conflicts could arise when two or more funds or non-fund accounts managed by the same portfolio manager or managers want to sell the same security at the same time. Finally, a portfolio manager may want to sell a security that is held by a fund or non-fund account and at the same time buy the same security for another one of his accounts. This could occur even if the accounts were managed similarly because, for example, the two accounts have different cash flows. The portfolio manager of the Strategic Income Fund may also be subject to conflicts of interest in allocating that fund's assets among the funds in which the Strategic Income Fund may invest because he may also serve as a portfolio manager for some of the funds in which the Strategic Income Fund invests and may receive compensation for managing those funds.

The Adviser has adopted a variety of policies and procedures to address these potential conflicts of interest and to ensure that each fund and non-fund account is treated fairly. For example, the Adviser has adopted policies for bunching and allocating trades when two or more funds or non-fund accounts wish to buy or sell the same security at the same time. These policies prescribe the procedures for placing orders in such circumstances, determining allocations in the event that such orders cannot be fully executed, and determining the price to be paid or received by each account in the event that orders are executed in stages. The Adviser has also adopted special policies that address investments in IPOs and new bond offerings, the side-by-side management of funds and the non-fund accounts, and internal crosses between accounts that are effected under Rule 17a-7 under the Investment Company Act. The Adviser's Investment Compliance Department also conducts reviews of trading activity to monitor for compliance with these policies and procedures.

## Item 12 – Brokerage Practices

### Selection of Brokers and Use of Brokerage to Obtain Research

Foresters Investment Management Company, Inc. (the “Adviser”) has authority to select broker-dealers that are used to effect portfolio transactions for the Funds. Portfolio transactions are generally structured as agency transactions or principal transactions. In agency transactions, the Funds generally pay brokerage commissions. In principal transactions, the Funds generally pay a dealer mark-up or selling concession. In the case of a riskless principal transaction, a dealer mark-up may be treated as a “commission” if the confirmation statement explicitly states the amount of the transaction that is considered to represent a commission. The Funds may also purchase certain fixed income securities directly from an issuer without paying commissions or discounts.

In selecting broker-dealers to execute portfolio transactions and assessing the reasonableness of their commissions, the Adviser considers, among other things, a broker-dealer’s expertise, reputation, reliability, and performance in executing transactions, and the value of any research that it makes available. A Fund may pay more than the lowest available commission (as that term is defined by the SEC) in return for brokerage and research services provided to the Adviser. Also, if approved by the Board of the Funds, the Adviser may use brokerage commissions to acquire services that do not qualify in whole or in part as research or brokerage services.

The research acquired by the Adviser with Fund commissions includes so-called proprietary research and third-party research. Proprietary research is research that is generated by a full-service brokerage firm and offered to the firm’s clients on a “bundled” basis along with execution services. In other words, there is no separately stated charge for the research. Third-party research is research that is prepared by an independent third-party and provided by a broker-dealer. In a third-party research arrangement, the cost of the research is generally stated both in dollars and in terms of a soft-to-hard dollar ratio. The client acquiring the research generally pays for the research by directing a specified amount of commission business to the broker-dealer that provides it. The broker-dealer in turn pays the third-party that is the original source of the research.

The type of research services acquired with Fund commissions include: (a) market data, such as stock quotes, last sale prices, trading volumes, and other information

as to the market for and availability of securities for purchase or sale; (b) research reports containing statistical or factual information or opinions pertaining to the economy, particular industries or sectors, particular issuers, or the creditworthiness of issuers; (c) conferences and meetings with executives of issuers or analysts; and (d) data concerning Fund performance and fees. The Adviser generally uses each research service acquired with commissions to service all the Funds in the First Investors Family of Funds, rather than the particular Fund or Funds whose commissions may pay for a research service. In other words, a Fund's brokerage commissions may be used to pay for a research service that is used in managing another Fund within the First Investors Family of Funds.

The Board of the Funds has approved an arrangement whereby the Adviser acquires two mixed-use services with commissions, Lipper Investment Management and iMoneyNet. These services are used by the Adviser both for research and non-research purposes. The Adviser allocates a portion of the Lipper Investment Management service to non-research use for the benefit of the Adviser, and the Adviser pays for this portion with hard dollars. Both services are also used to analyze and report to the Fund's Board a Fund's performance and fees relative to other comparable funds, which the Adviser allocates to non-research use for the benefit of the Funds. Each Fund pays the portion of the cost of these services in hard dollars or, for those Funds that acquire the services with commissions, the cost is treated as a Fund expense for purposes of computing the expense ratios that are included in the prospectuses.

The Adviser may combine transaction orders placed on behalf of a Fund with orders placed for other clients for the purpose of negotiating brokerage commissions or obtaining a more favorable transaction price. The securities purchased or sold in such bunched orders must be allocated in accordance with written procedures approved by the Board of the Funds. The Adviser does not place portfolio orders with an affiliated broker-dealer or allocate brokerage commission business to any broker-dealer in recognition of distributing Fund shares. Moreover, no broker-dealer affiliated with the Adviser participates in commissions generated by portfolio orders placed on behalf of any Fund.

#### Procedures for Allocating Bunched Trades

The Adviser will bunch trades of mutual funds within the First Investors family of mutual funds when it believes that bunching of transactions may be advantageous to the funds. Mutual fund trades may also be bunched with trades of the Adviser's

own account or the General Account of Foresters Life Insurance and Annuity Company, an affiliate of the Adviser, when the Adviser deems it beneficial to both the Funds and the proprietary accounts. The Adviser has adopted the following procedures for allocating bunched securities trades:

When orders are bunched, except as noted below, the executed portions of the orders will be allocated on a pro rata basis with each participant involved receiving a percentage of the executed portion of the order based upon each participant's percentage of the entire order. Such pro rata allocations may be rounded to prevent the allocation of fractional shares or odd lots. This procedure will apply to all parties that are participating in the execution under the same trading circumstances (same price limits, time of entry, etc.). If an order is executed in stages or steps, the allocations will be made at the average execution price calculated to three decimal places or at prices mathematically closest to the average price. The portfolio managers of the funds involved have the responsibility for all necessary documentation, although such responsibility may be delegated to a trader.

In the case of a bunched limit order, it may be necessary to change the price limit during the course of the execution of the order. If this occurs, and more than one portfolio manager is involved, each portfolio manager involved will generally be informed of the change in the price limit and given an opportunity to retain his or her original pro rata interest in the order or to withdraw from the combined order. In any event, a new trade ticket must be drafted to reflect the change in the terms of the order and/or participants.

If pro rata allocation would be inappropriate because it would result in one or more participants receiving an insufficient allocation, then the portfolio manager or managers involved may determine an equitable allocation based on one or more of the following:

- the investment objectives and policies of the participants;
- the investment needs of the participants, taking into consideration their cash positions, existing portfolio positions, and industry or sector concentrations;
- the origin of the idea to buy or sell the investment and the extent to which the portfolio managers have engaged in research concerning the investment;
- the extent to which opportunities have been allocated to the participants in the past; and,
- such other relevant factors as may be appropriate.



The Adviser applies the same procedures to the allocation of initial public offerings ("IPOs") and new bond offerings. In addition, the Funds' purchases of IPOs and new bond offerings are subject to enhanced compliance review. The Portfolio Department is required to forward to the Investment Compliance staff, on a monthly basis, a report of all IPOs and new bond offerings in which the Funds participated. The report provides details of each transaction including, if applicable, the reason or reasons for any deviations from pro rata allocations. These reports are reviewed to ensure that investment opportunities are allocated fairly.

## **Item 13 – Review of Accounts**

### Client Account Reviews

Foresters Investment Management Company, Inc. (the “Adviser”) has established various procedures for the review of accounts.

First, the Adviser’s portfolio managers review the investment advisory accounts on a daily basis. The portfolio managers not only make investment decisions, but also monitor the pricing of the securities held for potential errors and “significant events” that might require fair value prices to be used. Each portfolio manager is assigned to review particular accounts. The number of accounts assigned to a portfolio manager depends on the size and complexity of each account and the portfolio manager’s familiarity with the account. A review of any account may also be triggered when political, economic, market or corporate conditions occur that may have an impact on a client’s account. This is true whether the conditions are positive or negative.

Second, the Investment Committee of the Adviser meets periodically to review the performance of client accounts, the investment strategies that are being used to manage the client accounts, and recent additions to and deletions from the portfolios of the client accounts. The Investment Committee is composed of the senior officers, portfolio managers, Chief Compliance Officer and other compliance personnel of the Adviser. The review also includes an analysis of current market and economic conditions and their impact on the securities held for investment.

Third, the Portfolio Accounting Department reviews the pricing of securities by the Funds on a daily basis, in order to detect any potential pricing issues in accordance with policies and procedures approved by the Funds’ Board. The Portfolio Accounting Department also reviews instructions to the Funds’ Custodian on a daily basis, to insure that they are consistent with the broker-dealer confirmations, and reviews the Funds’ portfolios on a monthly basis to insure that they are in compliance with various requirements of the Internal Revenue Code of 1986, as amended, and the Investment Company Act of 1940, as amended.

Fourth, the Adviser’s Valuation Committee makes or reviews fair value determinations for securities held in client accounts in accordance with policies established by the client’s Board of Trustees. Determinations are made as valuations occur. These determinations are then reviewed on a monthly basis.

Finally, the Investment Compliance staff is responsible for:

- designing and reviewing reports to test compliance with diversification requirements, investment restrictions, and other investment policies;
- reviewing brokerage transactions to monitor for compliance with best execution requirements, bunching, and other brokerage policies;
- reviewing soft dollar arrangements;
- reviewing transactions between client accounts (Rule 17a-7 transactions);
- administering the Foresters Financial Code of Ethics and keeping all required records pertaining thereto;
- investigating and preparing reports of violations of policies and procedures, and creating strategies to prevent the repetition of such violations; and
- reporting violations to the CCO of the Adviser and the Board of Trustees of the Funds on at least a quarterly basis.

The CCO is responsible for administering the compliance program of the Adviser. The CCO is also responsible for ensuring that an adequate investigation of any reported violation or error has been conducted, that any violation has been adequately remedied, and that any material compliance matters involving a registered investment company are reported to the Board of Trustees of the Funds on a quarterly basis.

#### Client Reports

For the registered investment companies managed by the Adviser, reports concerning the performance of accounts, portfolio turnover, commissions, illiquid securities, fair value determinations and compliance issues are furnished to the Board of Trustees of the Funds on at least a quarterly basis. Reports concerning the Adviser's brokerage allocation practices and soft dollar arrangements are provided to the Board of Trustees of the Funds on a semiannual basis.

For the proprietary accounts managed by the Adviser, reports concerning the performance of each account are furnished at times mutually agreed upon between the Adviser and each individual client.

#### **Item 14 – Client Referrals and Other Compensation**

Foresters Investment Management Company, Inc. (the “Adviser”) does not compensate third parties for client referrals.

**Item 15 – Custody**

This item of the Brochure does not apply to Foresters Investment Management Company, Inc.

## **Item 16 – Investment Discretion**

### Discretionary Authority

Foresters Investment Management Company, Inc. (the “Adviser”) generally has discretionary authority to determine, for each client account:

- which securities are to be bought or sold;
- the amount of securities to be bought or sold;
- the broker or dealer to be used for each transaction; and
- the commission rates to be paid for each transaction.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, the Adviser’s authority to trade securities may also be limited by federal securities and tax laws.

With respect to the funds, discretionary authority is provided pursuant to the Investment Advisory Agreement executed with each fund and approved by the Board of Trustees of the fund.

### Portfolio Manager Compensation

The Adviser’s portfolio managers each receive a salary. Each portfolio manager also is eligible to receive a bonus with respect to each Fund that he or she manages, except for the Cash Management, Life Series Cash Management and Target Maturity 2015 Funds. Whether or not a portfolio manager receives a bonus award is dependent upon, among other factors, the performance of the Fund during the previous calendar year. The factors (determined annually) incorporated into a bonus formula which determines the eligible bonus award include: performance versus a specified Lipper Peer Group for each calendar year, average net assets of the Fund, and management fees received. A portion of the bonus to be paid is dependent on other performance factors, including the portfolio manager’s compliance record. In the case of a Fund that has more than one portfolio manager, the bonus may be shared. In addition to the bonuses that they may receive on the Funds that they manage, the Adviser’s Director of Equities and Director of Fixed Income each may be entitled to receive a percentage of any bonus that is earned by a portfolio manager who reports to him. All bonuses are paid as

follows: one-third of the bonus is paid within the first quarter of the following year. The remaining amount is invested in one of the Funds and then paid in two installments over the next two years. In the case of each bonus installment, the portfolio manager must remain actively employed by the Adviser and be in good standing with the Adviser until each installment is paid; otherwise the installment is forfeited. Each portfolio manager is also entitled to participate on the same basis as other employees in the profit sharing plan that is offered by the Adviser's parent company. The amount that is contributed to this plan is determined in the sole discretion of the parent company based upon the overall profitability of the Adviser and its affiliates from all lines of business. The profitability of the Adviser is an important factor in determining the amount of this contribution.

In addition to managing certain First Investors Funds, the Adviser's Director of Fixed Income is also primarily responsible for managing the fixed income investments in the investment accounts of the Adviser and its life insurance company affiliate (collectively, "the proprietary accounts"). In addition to managing certain First Investors Funds, the Adviser's Director of Equities is primarily responsible for managing the equity investments in the investment account of the Adviser. The Directors of Equities and Fixed Income are participants in the parent company's profit sharing plan. Moreover, the proprietary accounts invest in assets that are eligible investments for the Funds that the Directors of Fixed Income and Equities manage or oversee. Thus, in theory, they could have an economic incentive to favor the proprietary accounts over the Funds in determining which investments to buy, sell or hold. The Adviser monitors trading in the proprietary accounts to address such potential conflicts.

Furthermore, the Director of Fixed Income, who serves as portfolio manager of the Strategic Income Fund, may also be subject to conflicts of interest in allocating fund assets among the various Underlying Funds in which the Strategic Income Fund invests, because he may also manage some of the Underlying Funds. The Adviser monitors the fund's allocations among the Underlying Funds to address such potential conflicts.

## **Item 17 – Voting Client Securities**

The only clients of Foresters Investment Management Company, Inc. (the “Adviser”), as such term is defined in Rule 203(b)(3)-1 under the Investment Advisers Act of 1940, are the First Investors funds (the “Funds”). The following describes the Adviser’s policies and procedures for voting proxies on behalf of the Funds that the Adviser manages itself (“FIMCO-managed Funds”).

The Adviser, with the First Investors Funds’ Board approval, has delegated the responsibilities of monitoring and voting proxies on behalf of the FIMCO-managed Funds to Broadridge Investor Communications Solutions, Inc. (“Broadridge”). The Adviser monitors the proxy voting process at Broadridge via its ProxyEdge website (Broadridge’s online voting and research platform). Records of which accounts are voted, how accounts are voted, and how many shares are voted, are kept electronically with Broadridge and can be accessed by the Adviser.

Except in the case of shares of the First Investors Funds held in a fund-of-funds, the Adviser has instructed Broadridge to vote proxies for the FIMCO-managed Funds automatically in accordance with the voting recommendations of Glass Lewis & Co. (“Glass Lewis”). However, the Adviser will monitor what it regards as critical or important proxy votes and has reserved the right to vote on any issue in accordance with its own evaluation of the issue. In determining how to vote a particular proxy, Glass Lewis follows the principles outlined in its Proxy Paper Guidelines and conducts a case-by-case analysis to determine what is in the best interests of shareholders. Glass Lewis does not provide consulting services to the companies it covers, which mitigates the risk of conflicts of interest and ensures the independence of its analysis. Glass Lewis’ Proxy Paper Guidelines are published at [www.glasslewis.com/solutions/proxy-paper](http://www.glasslewis.com/solutions/proxy-paper). For shares of the First Investors Funds held as Underlying Funds in a FIMCO-managed fund-of-funds, the Adviser will vote the shares in the same proportion as the votes of other shareholders of the Underlying Fund.

If a proxy proposal were to create a conflict between the interests of a Fund and those of the Adviser or its affiliates, the conflict of interest must be reported to the Adviser’s Chief Compliance Officer who, in consultation with the Legal Department, will provide guidance concerning a resolution and will report both the conflict of interest and resolution to the Board of Trustees of the Funds at its next formal meeting.



To ensure that FIMCO-managed Funds are voting proxies in accordance with the approved guidelines, on a quarterly basis the Adviser's Investment Compliance staff reviews several reports provided by Broadridge or obtained from Broadridge's ProxyEdge website, including:

- Vote Summary Report – to ensure that votes are regularly being cast on behalf of the Funds and to determine whether votes are cast contrary to Glass Lewis' established guidelines;
- Account List – to ensure that Broadridge has properly coded each Fund account so that it receives notices of proxies; and
- Inactivity Report – to assist in identifying any potential account setup errors.

The Investment Compliance staff also periodically reviews Broadridge's most recent Form SSAE-16. Records of all these reviews are maintained by the Investment Compliance Department.

Broadridge provides the Adviser with data for the completion of Forms N-PX, the "Annual Report of Proxy Voting Record of Registered Management Investment Company". The Adviser is ultimately responsible for filing Forms N-PX on behalf of all the Funds, including those managed by subadvisers.

The Board of Trustees of the Funds generally reviews proxy voting policies and procedures annually.

**Item 18 – Financial Information**

Foresters Investment Management Company, Inc. (the “Adviser”) has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.