

**Item 1 – Cover Page**

First Investors Management Company, Inc.

110 Wall Street, New York NY 10005

(212) 858-8000

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

March 30, 2012

This Brochure provides information about the qualifications and business practices of First Investors 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.

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 First Investors 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 31, 2011:

- The Adviser’s proxy voting service has changed from RiskMetrics Group, Inc. to Broadridge Investor Communications Solutions, Inc. (“Broadridge”). The Adviser’s arrangement with Broadridge is described in Item 17 of this Brochure.

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#### Item 4 – Advisory Business

First Investors 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 First Investors Consolidated Corporation (“FICC”), and has been in business since 1971. FICC 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, 2011 the Adviser had assets under management as follows:

Registered investment companies	\$7,251,041,605
Proprietary Accounts (as described in Item 5)	<u>\$285,524,544</u>
Total	\$7,536,566,149

## **Item 5 – Fees and Compensation**

First Investors 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; and proxy and shareholder meeting expenses.

The Adviser receives no advisory fees for its management of the Profit Sharing Plan of First Investors Corporation, the General Account of First Investors Life Insurance 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**

First Investors 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**

First Investors 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 36 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**

First Investors 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 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. Although the fund tries to maintain a \$1.00 share price, it may not be able to do so. It is therefore possible to lose money by investing in the fund.

*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 net asset value to decline below \$1.00 per share. Credit risk also applies to securities issued by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S.



Government. These securities are supported 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 decline. This could cause the fund's net asset value to decline below \$1.00 per share.

*Liquidity Risk.* The fund may be unable to sell a security promptly and at an acceptable price, 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.

*Yield Risk.* The yields received by the fund on its investments will 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.

Government Fund – Under normal circumstances, the fund invests at least 80% of its net assets in obligations issued or guaranteed as to payment of principal and interest by the U.S. Government, its agencies or instrumentalities. The majority of the fund's investments will typically consist of mortgage-backed securities that are guaranteed by the Government National Mortgage Association, commonly known as Ginnie Maes. Ginnie Maes are guaranteed by the full faith and credit of the U.S. Government. The fund also invests in mortgage-backed securities issued by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government, such as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. The fund generally makes investment decisions based on its outlook for interest rates, economic and market conditions, and the relative values of different types of government securities. In selecting mortgage-backed investments, the fund considers, among other factors, coupon and yield, relative value and weighted average maturity of the pool. 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. The likelihood of a loss is greater if an investor invests for a short period of time. While the

fund invests in obligations that are issued or guaranteed by the U.S. Government, its agencies and instrumentalities, an investment in the fund is not insured or guaranteed by the U.S. Government.

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

*Prepayment Risk.* When interest rates decline, homeowners tend to refinance their mortgages. This could cause a decrease in the fund's income and share price.

*Extension Risk.* Rising interest rates can cause the fund's average maturity to lengthen due to a drop in mortgage prepayments. This will increase both the fund's sensitivity to interest rates and its potential for price declines.

*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 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.

*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.

Investment Grade Fund - Under normal circumstances, the fund will invest at least 80% of its net assets in investment grade debt securities. 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. In making investment decisions, the fund considers the outlook for interest rates, economic 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. The likelihood of a loss is greater if an investor invests for a short period of time.

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

*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 asset-backed securities, the credit quality of the underlying loans. 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.

*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. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will increase both the fund's sensitivity to interest rates and its potential for price declines.

*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.

*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.

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 fund 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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. 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.

*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.

*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. 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.

*Other Syndicated Bank Loans Risk.* Syndicated bank loans are also subject to the risk that the value of the collateral, if any, securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. In the event of a default, the fund may have difficulty collecting on any collateral.

*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.

First Investors Equity Funds:

Total Return Fund – The fund allocates its assets among stocks, bonds and money market investments. 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 investments. 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 investments has been set, the fund 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 fund 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 fund selects bonds by first considering the outlook for the economy and interest rates, and thereafter, a particular security's characteristics. 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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.

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

*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.

*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.

*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.

Value Fund – The fund invests, under normal market conditions, primarily in dividend-paying stocks of companies that the fund believes are undervalued in the market relative to their long term potential. 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 fund generally uses a “bottom-up” approach in attempting to identify stocks that are undervalued. This means that the fund 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 fund 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 investments become more attractive. An investor can lose money by investing in the fund. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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.

*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.

*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.

*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.

*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.

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 fund cannot identify dividend-paying stocks that it finds attractive, it may invest in non-dividend-paying stocks. The fund generally uses a “bottom-up” approach to selecting investments. This means that the fund 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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.

*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.

*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.

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 fund uses fundamental research and analysis to identify prospective investments. Security selection is based on one or more of the following: profitability; earnings growth; strong possibility of price-to-earnings multiple expansion (or increases in other similar valuation measures); hidden or unappreciated value; and/or quality management. Once potential investments are identified, the fund constructs its 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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.

*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.

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

*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.

*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.

Select Growth Fund (subadvised) - The fund invests in a portfolio of approximately 40-45 common stocks that the 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 has 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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.

*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 are more broadly diversified.

*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.

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 fund uses a “bottom-up” approach to selecting investments. The fund uses fundamental research to search for companies that have one or more of the following: a strong balance sheet; experienced management; above-average earnings growth potential; and stocks that are attractively priced. The fund attempts to stay broadly diversified, but it may emphasize certain industry sectors based upon economic and market conditions. The fund may sell a security 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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.

Special Situations Fund (subadvised) - The fund primarily invests in common stocks of smaller size companies that have a new product or service, are in a position to benefit from some change in the economy, industry transformation, new law, new regulation or new technology, or are experiencing some other “special situation” that makes them undervalued relative to their long-term potential. The fund may also invest in stocks of mid-size or large companies. In selecting stocks, the fund relies on fundamental and quantitative analysis. The fund screens potential investments to identify companies that have strong financial and managerial characteristics, including healthy balance sheets, a strong management team, solid market share positions and improving business

fundamentals. The fund then attempts to identify those companies that are undervalued by the market or are undergoing some special situation that creates a short-term dislocation between their stock price and underlying value. The fund may emphasize certain industry sectors based on economic and market conditions. 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. The likelihood of a loss is greater if an investor invests for a short period of time.

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

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

*Sector Risk.* The fund will face a greater risk of loss due to factors affecting a single sector or industry than if the fund always maintained wide diversity among the sectors and industries in which it invests.

*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.

International Fund (subadvised) - The fund 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 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 fund may also invest in forward currency contracts or foreign exchange contracts to minimize currency fluctuation during the settlement period of transactions in foreign securities. Such contracts are considered derivatives. The fund's 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. An investor can lose money by investing in the fund. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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. 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.

*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.

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

*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.

*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.

*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.

*Derivatives Risk.* Forward currency contracts and foreign exchange 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 movements and the potential of greater loss 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.

#### First Investors Tax Exempt Funds:

Tax Exempt Fund – The fund 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 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 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. The fund generally takes taxes into consideration in deciding whether to sell an investment. An investor can lose money by investing in the fund.

*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. 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.

*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.

*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.

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



*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax (including the alternative minimum 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.

*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 Exempt Fund II – The fund 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 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 adjusting 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. The fund generally takes taxes into



consideration in deciding whether to sell an investment. An investor can lose money by investing in the fund.

*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. 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.

*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.

*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.

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

*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax (including the alternative minimum 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.

*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.

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 - Each of the Single State Tax Exempt Funds 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, except for the Minnesota Tax Exempt Fund, which invests only in Minnesota municipal obligations. 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 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. Each fund generally takes taxes into consideration in deciding whether to sell an investment. An investor can lose money by investing in these funds.

*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. 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.

*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.

*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.

*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.

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

*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.

*Tax Risk.* The fund may invest in municipal securities that pay interest that is subject to income tax (including the alternative minimum 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.

*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.

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. Although the fund tries to maintain a \$1.00 share price, it may not be able to do so. It is therefore possible to lose money by investing in the fund.

*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 net asset value to decline below \$1.00 per share. Credit risk also applies to securities issued by U.S. Government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government. These securities are supported 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 decline. This could cause the fund's net asset value to decline below \$1.00 per share.

*Liquidity Risk.* The fund may be unable to sell a security promptly and at an acceptable price, 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.

*Yield Risk.* The yields received by the fund on its investments will 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 Government Fund – Under normal circumstances, the fund invests at least 80% of its net assets in obligations 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 securities that are guaranteed by the Government National Mortgage Association), 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 the securities issued by the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation). The fund generally makes 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time. While the fund invests in securities that are issued or guaranteed by the U.S. Government, an investment in the fund is not insured or guaranteed by the U.S. Government.

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

*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. When interest rates rise, the fund’s average maturity may lengthen due to a drop in prepayments. This will increase both the fund’s sensitivity to interest rates and its potential for price declines.

*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 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.

*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.

Life Series Investment Grade Fund - Under normal circumstances, the fund will invest at least 80% of its net assets in investment grade debt securities. 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. In making investment decisions, the fund considers the outlook for interest rates, economic 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. The likelihood of a loss is greater if an investor invests for a short period of time.

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

*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 asset-backed securities, the credit quality of the underlying loans. 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.

*Prepayment and Extension Risk.* The fund is subject to prepayment and extension risk since it invests in mortgage-backed securities 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. When interest rates rise, the fund's average maturity may lengthen due to a drop in prepayments. This will increase both the fund's sensitivity to interest rates and its potential for price declines.

*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.

*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.

Life Series High Yield Fund (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 funds 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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. 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.

*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.



*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, except for floating rate securities. 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.

*Other Syndicated Bank Loans Risk.* Syndicated bank loans are also subject to the risk that the value of the collateral, if any, securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. In the event of a default, the fund may have difficulty collecting on any collateral.

*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.

Life Series Value Fund – The fund invests, under normal market conditions, primarily in dividend-paying stocks of companies that the fund believes are undervalued in the market relative to their long term potential. 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 fund generally uses a “bottom-up” approach in attempting to identify stocks that are undervalued. This means that the fund 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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.

*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.

*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.

*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.

*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.

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 fund cannot identify dividend-paying stocks that it finds attractive, it may invest in non-dividend-paying stocks. The fund generally uses a “bottom-up” approach to selecting investments. This means that the fund 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 fund 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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. 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.

*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.

*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.

Life Series Select Growth Fund (subadvised) - The fund invests in a portfolio of approximately 40-45 common stocks that the 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. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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.

*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 are more broadly diversified.

*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.

Life Series Discovery Fund (subadvised) - The fund primarily invests in common stocks of smaller size companies that have a new product or service, are in a position to benefit from some change in the economy, industry transformation, new law, new regulation or new technology, or are experiencing some other "special situation" that makes them undervalued relative to their long-term potential. The fund may also invest in stocks of mid-size or large companies. In selecting stocks, the fund relies on fundamental and quantitative analysis. It screens potential investments to identify companies that have strong financial and managerial characteristics, including healthy balance sheets, a strong management team, solid market share positions and improving business fundamentals. The fund then attempts to identify those companies that are undervalued by the market or

are undergoing some special situation that creates a short-term dislocation between their stock price and underlying value. The fund may emphasize certain industry sectors based on economic and market conditions. 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. The likelihood of a loss is greater if an investor invests for a short period of time.

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

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

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

*Sector Risk.* The fund will face a greater risk of loss due to factors affecting a single sector or industry than if the fund always maintained wide diversity among the sectors and industries in which it invests.

*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.

Life Series International Fund (subadvised) - The fund 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 fund may also invest in forward currency contracts or foreign exchange contracts to minimize currency fluctuation during the settlement period of transactions in foreign securities. Such contracts are considered derivatives. The fund's 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. An investor can lose money by investing in the fund. The likelihood of a loss is greater if an investor invests for a short period of time.

*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.

*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. 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.

*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.

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

*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.

*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.

*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.

*Derivatives Risk.* Forward currency contracts and foreign exchange 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 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.

Life Series Target Maturity Fund 2015 - 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 and the Federal Home Loan Mortgage Corporation. 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. The likelihood of a loss is greater if an investor invests for a short period of time or liquidates his or her investment in the fund prior to maturity.

*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. 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.

*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 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.

*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.

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 First Investors Life Insurance 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.



Profit Sharing Plan – the profit sharing plan’s investment objective is total return. The profit sharing plan may invest in a wide variety of equity and debt securities and utilize a variety of investment strategies without limitation. The profit sharing plan allocates its assets among stocks, bonds and money market investments without percentage limitations.

The plan uses fundamental research and analysis to determine which particular investments to purchase or sell. The plan’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 plan considers, among other things, the issuer’s financial strength, management, earnings growth potential and history (if any) of paying dividends. The plan’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 plan may also invest in sovereign debt of foreign countries. The plan selects bonds by first considering the outlook for the economy and interest rates, and thereafter, a particular security’s characteristics. The plan also currently invests in securities of companies that are located outside of the United States and in high yield, below investment grade corporate bonds (commonly known as “high yield” or “junk bonds”). The plan 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.

*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. 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.

*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 plan to sell mid-to-small-size company stocks at reasonable prices.



*Allocation Risk.* The plan may allocate assets to investment classes that underperform other classes. For example, the plan 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. 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.

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

*Liquidity Risk.* The fund is also susceptible to the risk that certain securities may be difficult or impossible to sell at the time and the price that the fund would like. 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, meaning that it may be difficult to sell high yield debt securities 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.

*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. To the extent the plan 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.

Investments in foreign government debt obligations also involve special risks. The issuer of the debt may be unable or unwilling to pay interest or repay principal when due in accordance with the terms of such debt, and the plan may have limited legal resources in

the event of default. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance.

General Account Portfolio of First Investors Life Insurance Company ("FIL") – FIL's investment objectives are to match the assets and liabilities of FIL, 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 FIL'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.

*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.

*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. 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.

*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.

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.

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

*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.

*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. 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.

*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.

*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.

### **Item 9 – Disciplinary Information**

First Investors 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**

First Investors 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 First Investors Life Insurance 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. First Investors Corporation, an affiliated registered broker-dealer, is the underwriter of all of the investment companies and their series listed above, except for the Life Series Funds, which are sold through separate accounts of First Investors Life Insurance Company. First Investors Life Insurance Company is the sponsor of the separate accounts that invest in the Life Series Funds. Administrative Data Management Corp., an affiliate of the Adviser, is the transfer agent for the registered First Investors funds.

The Adviser also serves as investment adviser to the Profit Sharing Plan of First Investors Corporation and the General Account Portfolio of First Investors Life Insurance Company. The Adviser also manages its own investment portfolio. Several principal executive officers of the Adviser are also principal executive officers of affiliated broker-dealer First Investors Corporation, of affiliated transfer agent Administrative Data Management Corp. and of the First Investors funds. The amount of time spent on each business activity varies based on business needs.

First Investors Corporation, Administrative Data Management Corp., First Investors Life Insurance Company and the Adviser are subsidiaries of the same holding company. Their income and profits are shared at the holding company level.

## Item 11 – Code of Ethics

### Code of Ethics

In accordance with the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 and Rule 17j-1 of the 1940 Act, the First Investors Funds, First Investors Management Company, Inc. (the “Adviser” or “FIMCO”), and their principal underwriter, First Investors Corporation (“FIC”) 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 and reportable securities, as defined in the Code of Ethics; (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 and reportable securities 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.

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 First Investors profit sharing plan and the Adviser's own investment account. The Adviser's Director of Fixed Income also participates in the day-to-day management of the First Investors profit sharing plan, 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 a hot 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 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 of the Investment Company Act. The Adviser's Investment Compliance Manager 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

First Investors 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 three mixed-use services with commissions, Lipper Analytical New Applications Module (First Investors Equity Funds), Lipper Analytical New Applications Module (First Investors Income Funds) and iMoneyNet. These services are used by the Adviser both for research purposes and to analyze and report to the Fund's Board a Fund's performance and fees relative to other comparable funds. The Adviser currently allocates 50% of the cost of these arrangements to administration in the Funds' expenses. The portion of the cost of each of these mixed-use services that is attributable to administration 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 First Investors Life Insurance Company, an affiliate of the Adviser, when the Adviser deems it beneficial to both the Funds and the proprietary accounts. Mutual fund trades may not be bunched with the Profit Sharing Plan of First Investors. 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. 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**

First Investors 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 generally meets once or more each month 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 First Investors 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 practice 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, in no event less frequently than annually.

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

First Investors 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 First Investors Management Company, Inc.

## Item 16 – Investment Discretion

### Discretionary Authority

First Investors 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 receives a bonus with respect to each Fund that he or she manages if the Fund’s performance ranks in the middle quintile or higher of the funds in its selected Lipper Peer Group as of the end of the calendar year. The rate of the bonus (in basis points) increases in steps as the Fund’s performance ranking increases within the Fund’s selected Lipper Peer Group. A portion of the bonus is dependent on other performance factors, including the portfolio manager’s compliance record. The amount of the bonus is computed by multiplying the applicable bonus rate by the average net management fee received by the Adviser for managing the Fund during the year. 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 Directors of Equity and Fixed Income are also entitled to receive a percentage of any bonus that is earned by a portfolio manager who reports to them. All bonuses (including those earned by the Directors of Equities and Fixed Income) are paid as follows: one-third of the bonus is paid within the first quarter of

the following year and the remaining amount is invested in the Fund 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 company's own profit sharing plan and the investment accounts of the Adviser and its life insurance company affiliate (collectively, "the company's proprietary accounts"). In addition to managing certain First Investors Funds, the Adviser's Director of Equity is primarily responsible for managing the equity investments in the company's profit sharing plan and the investment accounts of the Adviser. The Directors of Equity and Fixed Income do not receive any compensation (apart from their normal salary and entitlement to participate on the same basis as other employees in the company's profit sharing plan) for managing the investments of the proprietary accounts. Nor do they receive any form of bonus for assisting in the management of the proprietary accounts. They are participants in the 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 Equity 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.

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

The only clients of First Investors 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.

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/proxypaper.php](http://www.glasslewis.com/solutions/proxypaper.php).

The Adviser should not have any material conflicts relating to proxy voting. Neither the Adviser nor any of its affiliates engage in investment banking, administration or management of corporate retirement plans, or any other activity that would create any apparent conflict of interest between the interests of the Funds and the Adviser or its affiliates regarding a proxy vote. Nevertheless, 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 SAS 70. 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**

First Investors 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.